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Accord On GATT Not Yet Sewn Up

Politicians Resist Last Steps Despite EC Breakthrough

By Tom Redburn
International Herald Tribune
PARIS — Despite the European Commission's decision to overhaul the costly farm subsidy program that has long blocked a global trade agreement, the United States and the EC remain a long way from reaching an overall settlement of their dispute, officials said Friday.

The EC farm agreement reached Thursday night was greeted with sporadic demonstrations from organized farm groups Friday, who contended that Europe's politicians were sacrificing them in order to reach an agreement with the EC's trading partners. A protester and a policeman in Rouen, France, were slightly wounded after about 100 farmers set fire to a police post at the entrance to a government office. Farmers in Brussels burned an American flag in front of the U.S. Embassy.

European leaders, pleased that they had finally managed to overcome opposition to reform from the powerful French and German farm lobbies, said the next move was now up to Washington. They contended that the Uruguay Round of negotiations, which are being held under the aegis of the General Agreement on Tariffs and Trade, would not make further progress until the Bush administration agrees to make concessions in other areas of the talks.



Chancellor Helmut Kohl gesturing to President François Mitterrand in La Rochelle, France, on Friday before their talks on plans for the joint army corps.

Bonn and Paris to Deploy Euro-Corps by 1995

By William Drozdiak
Washington Post Service
LA ROCHELLE, France — Citing the need for Europe to assume a greater share of the burden for its own defense, the leaders of France and Germany unveiled plans Friday for the 35,000-member joint army corps that they hope will become the nucleus of a continental defense force.

President François Mitterrand of France and Chancellor Helmut Kohl of Germany concluded a two-day meeting here by urging their European partners to contribute troops to the corps, which will have its headquarters in Strasbourg and be ready for deployment in 1995. Belgium, Luxembourg, Spain and Italy are thinking about joining, but Britain and the Netherlands have rejected the idea.

Seeking to infuse new momentum in the drive to link their countries, Mr. Kohl and Mr. Mitterrand also announced plans for a new high-speed train network to connect Paris with Munich in southern Germany and Berlin in the north.

The network will cut travel time by as much as half between major cities. A trip from Paris to Frankfurt will take three and a half hours, and from Paris to Berlin six and a half hours. The high-speed lines will hook up with eastern connections to bring Budapest and Moscow closer to the West.

The ambitious effort in military cooperation by the European Community's two leading powers has evoked consternation among American officials, who fear it could undermine the Atlantic military alliance and intensify pressure in Congress to accelerate the withdrawal of U.S. troops from Europe.

In a joint declaration, the French and German governments sought to allay U.S. reservations by stating that the corps would "contribute to the reinforcement of the Atlantic alliance." The two governments also said their fresh troop commitments to the corps would not affect "existing obligations to other organizations."

German officials said that phrase was added to assure the United States that the Bonn government would not dilute its military contribution to the North Atlantic

See CORPS, Page 4

Thai Leader Seems Ready To Step Down

Suchinda Loses Support Of His Political Coalition

By Philip Shenon
New York Times Service
BANGKOK — Thailand's besieged prime minister was abandoned Friday by his political coalition and presented with what amounted to an ultimatum that he resign for his part in the bloodiest political unrest in the nation's modern history.

There was no immediate response from the prime minister, General Suchinda Kraprayoon, to the announcement by his five-party coalition that they had drafted constitutional amendments that would require him to step down.

General Suchinda has resigned, Agence France-Presse quoted "highly reliable sources" as saying early Saturday. General Suchinda was believed to be about to leave the country, the sources said. They did not indicate where he was to go. No official confirmation was immediately available.

The amendments would require the prime minister to be elected — not, like General Suchinda, appointed. The move by the political parties unleashed a flood of rumors here — that General Suchinda would resign, that he would dismiss parliament and call for new elections, that his supporters or his enemies in the military would launch a coup.

The effort to remove the prime minister came as evidence mounted that General Suchinda had intentionally underestimated the death count from three days of street clashes this week between soldiers and pro-democracy demonstrators. While the government has put the death toll at 40, private groups reported Friday that at least 350 people were still missing — many of them thought to be dead.

Medical workers reported that military vehicles had gathered bullet-riddled bodies from hospital emergency rooms on Monday and Tuesday before they could be counted and identified, and then cremated them outside Bangkok, apparently with the intention of

keeping the official death count low. "Dead people were certainly piled into trucks and carried to the crematorium," said a Thai television news anchor, president at Mahabulakul, a newspaper that has organized a referendum to register the mourning. It is not believed that only 40 people were killed. It must have been several times higher.

Among those who abandoned General Suchinda was his long-time ally, Chokchai Chiravan, who, chalking back tears, said at a news conference that the prime minister must take responsibility for this week's violence.

"The information and opinion received point to one conclusion, and we must change the prime minister," Mr. Chiravan said. "The image of the country can only improve after we change the prime minister."

Hundreds of people gathered at the Foreign Ministry to protest over the government's denial of suppression of the protesters. They demonstrated at the ministry, and members of the military were seen firing the killing.

General Suchinda, until last month the nation's supreme military commander, was the architect of a February 1991 coup that toppled Thailand's last democratically elected government with a military leader described as a demagogue. He and allies in the armed forces then oversaw the rewriting of the constitution to grant broad new government powers to the military, including control over appointments to the upper levels of government.

Many Thais were not surprised — although they were angered — when General Suchinda emerged little more than a year after the coup as Thailand's new elected prime minister, appointed by the political parties close to the military. He had refused to run for a second term.

'Appalled,' U.S. Will Clamp Down on Belgrade

Compiled by Our Staff From Dispatches
LONDON — The United States will expel Yugoslav military attaches from Washington and close two consulates as part of a growing campaign by the United States and Europe to force Serb-dominated military forces to withdraw from Bosnia-Herzegovina, the U.S. secretary of state, James A. Baker 3d, said Friday.

Speaking in London after talks with Prime Minister John Major at which the situation in Yugoslavia was discussed, Mr. Baker said the United States was ready to level severe political and economic sanctions against Serbia for perpetuating "a humanitarian nightmare" against its neighbors.

He said the United States would not return its ambassador to Belgrade, the capital of Serbia and the rump Yugoslav republic, and would be reducing other personnel at the U.S. Embassy there. Mr. Baker is heading Saturday to Lisbon, where a conference on assistance to the former Soviet Union is likely to be overshadowed by the

Yugoslav strife and by the expected signing of a Strategic Arms Reduction Talks protocol on missile cuts. "We have some ideas we will be discussing with our allies, and there may be some that we will decide to go forward with, whether we can bring the European Community along or not," he said.

Mr. Baker's warning of U.S. unilateral action marked a shift from the Bush administration's willingness until now to let the Europeans take the lead in dealing with the breakup of Yugoslavia. But it also could be a ploy to get the Europeans' attention and support.

A memo delivered to European governments had described Washington as being "appalled" by the Serbian leadership's behavior in the Yugoslav crisis. In Washington, Richard A. Boucher, a State Department deputy spokesman, noted that the department had previously said it was considering a broad range of measures that the United States could take alone or in concert with allies.

These other elements of the campaign against the rump Yugoslav state emerged Friday:

• Bosnia-Herzegovina was admitted to the United Nations on Friday, together with Croatia and Slovenia, and urged the organization to defend it against aggression.

"We call on this body to come to our aid in the hour of our greatest need," the Bosnian foreign minister, Haris Silajdzic, said in remarks to the General Assembly.

• The executive commission of the General Assembly, Page 4

Toyota and Japan Say Bye to Easy Money

By Paul Blustein
Washington Post Service
TOKYO — Japan Inc. is starting to say good-bye to the cheap money that fueled its surge to international financial dominance in the 1980s.

That was the message implicit this past week from Toyota Motor Corp., which said that the company had raised \$1 billion by selling bonds to investors in the London Eurobond market.

No private company had ever tapped the international market with such a large straight-bond issue, lacking convertible or other extra features.

As impressive as Toyota's bond sale was for its size, however, the development augurs ill for Japan's economy. It heralds a new era in which Japanese companies will be forced to raise trillions of yen for new factories, equipment and research in much higher interest costs than before. This marks the end of a period in which Japanese concerns enjoyed a big advantage over their foreign competitors by being able to borrow at low Eurobond rates.

Toyota will pay an interest rate of 6.78 percent on the bonds, which is about the same as any highly rated company would pay, Japanese or not. By contrast, five years ago, the automaker stunned

See BONDS, Page 19

Muslim Slavs: Last Roundup

Serbs Herd Them Into 'Heartbreak Hotels'

By John F. Burns
New York Times Service
ZVORNIK, Bosnia-Herzegovina — When Serbian gunmen go door to door, pulling Muslim Slavs from their homes at gunpoint and herding them aboard cattle trucks, they call it "ethnic purification."

But another name for what the Serbs are doing in this deserted, bullet- and shell-scattered town in the hills of eastern Bosnia, and in communities elsewhere in this disintegrating republic, is the revision of history.

For more than 500 years, since Turkish conquerors swept up the Drina River valley and overthrew the medieval Serbian potentate whose ruined fortress looks down from Zvornik's wooded heights, this has been a place where Serbs, Muslim Slavs and Croats have lived side by side.

But not for much longer in Zvornik, if it is left to the slouching Serbian militiamen who now control the town. At lunchtime one day this week another truck appeared in the sinuous back streets. In minutes, militiamen in camouflaged fatigues press-ganged more Muslim men aboard, to join the wave of at least 670,000 refugees already swamping the "heartbreak hotels," as the victims of Bosnia's savage civil war call the tent camps, school gymnasiums, and parks that serve as temporary quarters for many of the homeless.

At least 5,000 of the refugees, perhaps twice as many, are Muslims from Zvornik, a town with a 60 percent Muslim majority that only had about 15,000 residents when the deportations began six weeks ago.

How many Muslims have been driven from all of eastern Bosnia, a region about 80 kilometers (50 miles) wide and about 200 kilometers deep, is unclear, but what is certain is that the Serbian terror tactics have been aimed at making a Serbian stronghold of a region where 78 percent of a population of about 450,000 people were Mus-

Klosk

L.A. County Set As Retrial Site

LOS ANGELES (AP) — The retrial of Laurence M. Powell, a white police officer, in the beating of Rodney G. King, a black motorist, will be held in Los Angeles County, a judge ruled Friday.

Judge Stanley Weisberg overruled objections from Mr. Powell's attorney, who argued that his client could not get a fair trial in Los Angeles, where the beating took place.

Business / Finance
Lloyds Bank's bid for Midland is to undergo a British anti-trust review. Page 17.
The Agnelli family bought 2 percent of Accor. Page 19.

Dow Close The Dollar In New York

DJI	1,6155
Pound	1,8155
Yen	129.26
FF	5.4325

Crossword Page 4



IT'S THE LITTLE THINGS — General Pavel Grachev, the new Russian defense minister, struggling Friday with his earphones at his first press conference in his new post. He said he would slash the Russian general staff by half. Page 2.

Europe Finds the Big Spenders Are Roaring Back

By Suzy Menkes
International Herald Tribune
PARIS — It seems that the death of the designer decade has been greatly exaggerated.

Figures from the luxury companies for 1991 — expected to be catastrophic because of the Gulf War — are respectable. In Paris, the spring selling season, which got off to a slow start, is picking up. And last year's endangered species, the big-spending tourist, is showing a quiver of life.

"The situation is quite encouraging. I don't share the global gloom," said Philippe Vinady, general director of Dior.

Dior's boutique on the Avenue Montaigne shows a 31 percent rise in turnover for the first four months this year compared to the similar period last year, although that was a nadir for business.

At Nina Ricci across the avenue, the general director, Wladimir de Kousmine has registered "a strong return of Middle East clients, an increase in South Americans, Japanese on a level with last year and not much movement from European clients."

"And in the United States," he said, "our figures for these first four months are slightly up."

"At Louis Vuitton in Paris, we have registered a strong increase in tourists from Japan and Asia," said Rosemary U.S. tourists returning, wallets tightly gripped. Page 5.

Laudouard, speaking for LVMH, "American tourists are more or less the same because of the state of the dollar. The local clientele is stable. In Japan, there was a surge because of the Louis Vuitton sponsorship of the America's Cup. And we have registered a mild reprieve in the United States compared to this time last year."

"We are seeing plenty of Japanese and American tourists, and they are spending," said a Ceine spokesman of its accessory and clothing stores on Avenue Montaigne that sell at medium-high prices.

Jacques Moncler, president of high fashion's ruling body, the Chambre Syndicale, is not so bullish about the supposed return of tourist plastic to the city.

"Paris is busy," he said, "but what we are seeing is coaches filled with East Europeans who have come to sightsee. It is true that the couture has taken off again and that the very rich are always around, but that is not how the luxury industry makes its money. And in the area of the arts de vivre — porcelain, crystal, and tableware — things are completely flat."

The surge of the French luxury industries during the 1980s came from developing global markets, especially in Asia, and by producing ancillary products with a luxury cachet at relatively accessible prices for aspirational new

See LUXURY, Page 5

WORLD BRIEFS

Shiite Targets in Lebanon... The police put the blame on the Israeli-backed Lebanese National Movement...

lection Ends in Dead Heat... The two main parties, the PDP and the National Front, each won nearly half the vote...

3 Catholic Clerics... The Vatican's Holy See announced the appointment of three new bishops...

Violence Averted in Germany... The German government announced that it had averted a potential crisis...

Large Cloud Philippine Vol... The Philippine government announced that a large volcanic cloud had been observed...

cord... The government announced that it had issued a new regulation regarding...

Travel Update... The European Commission announced that it had issued a new decision regarding...

arm EU on Effect of VAT... The European Commission announced that it had issued a new decision regarding...

Asia... The government announced that it had issued a new regulation regarding...

Africa... The government announced that it had issued a new regulation regarding...

Latin America... The government announced that it had issued a new regulation regarding...

North America... The government announced that it had issued a new regulation regarding...

In California, Political Novices Awaken for Perot

By Dan Balz... Business is booming outside the Price Club discount warehouse store near the busy Ventura Freeway, and the hottest item these days is Ross Perot for president...



Ross Perot applauding as a box of petitions in support of his candidacy were delivered to the Kentucky state house in Frankfort.

support Mr. Perot received as a write-in candidate in primaries in Oregon and Washington state this week. In Oregon, exit polls indicated Mr. Perot got support in double digits in both the Republican and Democratic contests...

Democrats, conservative Democrats and Libertarians. What unites them? 'I have three kids and I don't want to leave them worse off,' said Bruce Maurer, a 45-year-old fire fighter...

In Washington, Republican Pros Are Taking Aim

Compiled by Our Staff From Dispatches... WASHINGTON — The president's men are becoming more vocal in their worry that Ross Perot's independent candidacy will spoil the re-election prospects of George Bush...

Brazil's News for Earth: Loss of Amazon Rain Forest Is Slowing Steadily U.S. Cuts Europe and Asia Bases

By James Brooke... MARACA, Brazil — Bright green manioc plants sprouting among charred tree trunks and a constant hammering and sawing on house frames are signs that a new colony of home-steaders has arrived in this remote corner of the Amazon...

Based on analysis of photographs taken by Landsat 5 satellites over the Amazon, researchers at Brazil's National Institute for Space Research calculate that the annual deforestation rate dropped from a high of about 30,000 square kilometers in 1985 to 11,000 square kilometers in 1991...

sharp decline in the Brazilian economy, a public information campaign coupled with fines levied against violators of forest laws, and rainfall during burning seasons...

WASHINGTON — The U.S. military will reduce operations or close installations at 61 additional sites in Europe and 2 in South Korea, the Defense Department announced Friday...

AMERICAN TOPICS

Doctors Averaged \$164,300 in 1990... The pretax incomes of American doctors rose 5.5 percent in 1990 to an average of \$164,300, the American Medical Association reports...

An airline hijacking note brought a 30-year prison term for Curtis L. Compton Jr., even though he insisted it was a joke...

Veterinarians are complaining that a new film, 'Beethoven,' is politically incorrect because of the way it portrays them...

Doctors worked an average of 58.8 hours a week, the AMA found, up from 57.5 hours in 1984, and took five weeks' vacation...

Net income differed greatly by specialty. Surgeons led at \$236,400 on average, followed by radiologists (\$219,400)...

Short Takes... 'Travelers' Cheques for Two' have been introduced by American Express...

As part of a promotion, the Memphis Chick's Southern League will give two fans an expenses-paid trip to Paris and Moscow...

U.S. Will Stop Picking Up Haitian Refugees in the Caribbean

By Clifford Krauss... WASHINGTON — With refugee centers at Guantanamo Bay Naval Base filled to capacity, the United States has decided that the Coast Guard will no longer pick up all the Haitians fleeing their country in rickety boats for the United States...

United States was encouraging more and more Haitians to flee. 'Our hope is that people won't put to sea and risk their lives,' said Richard A. Boucher, a State Department spokesman...

Quantico Bay Naval Base, where the Coast Guard has housed nearly 250 new refugees a day in recent weeks, reached its maximum capacity after three Coast Guard cutters unloaded 1,635 Haitians picked up at midweek...

Press and Pentagon Set Reporting Rules Riot Damage in L.A. Put At \$1 Billion

By Howard Kurtz and Barton Gellman... WASHINGTON — Military officials and major news organizations have agreed on a set of guidelines for war coverage that media executives hope will lift many of the restrictions that hampered them during the Gulf War...

and the press. This is certainly not the Ten Commandments, or even the Bill of Rights. One key provision says that when government facilities are not available to transmit stories, journalists will be allowed to file 'by any other means available.'

WASHINGTON — Insurers expect the Los Angeles riots to cost them at least \$775 million, which would make it the fifth-worst disaster in the industry's history...

I am not naive and I don't assume there won't be continued tugs of war between the Pentagon and the press. This is certainly not the Ten Commandments, or even the Bill of Rights.

Stanley Cloud, Washington bureau chief of Time... The Associated Press, The Washington Post, The New York Times, the Los Angeles Times, ABC, CBS, NBC, CNN, the American Society of Newspaper Editors, American Newspaper Publishers Association and the Radio and Television Directors Association...

Those endorsing the nine principles included... Pools are not to serve as the standard means of covering U.S. military operations. Pools may sometimes provide the only feasible means of early access to a military operation...

Following is a list of military installations involved: Belgium: Hahn, Sggn Ammunition Storage, Sedan...

40 flights a week, come rain or shine. JAL Japan Airlines A WORLD OF COMFORT

THAIS: Leader Seems Set to Quit CORPUS: Deployment Set

(Continued from page 1)

parliamentary seat in elections last March.

Public demonstrations over his appointment began almost as soon as General Suchinda was named prime minister last month, with protesters demanding he resign in favor of an elected prime minister. The protests turned violent on Sunday night, when security forces charged on what had been a peaceful march through the streets of central Bangkok.

The constitutional amendments drafted by the five political parties were submitted to parliament for debate Monday. Pro-democracy groups have said tens of thousands of their supporters will turn out in front of parliament to stand vigil.

The changes in the constitution had been sought by the nation's revered king, Bhumibol Adulyadej, who intervened Wednesday to try to stop the violence, asking General Suchinda and the leader of the pro-democracy movement, Chamlong

Srimuang, to negotiate an end to the street clashes.

So long as the coalition parties hold to the promise made Friday, the amendments are virtually guaranteed to pass, since the coalition controls a majority of seats in parliament. If they do not pass, pro-democracy leaders have vowed there will be more, and larger, anti-government demonstrations across Thailand, raising the possibility of new bloodshed.

Human rights investigators and others spent the day trying to locate evidence of the killings, inspecting chest-high bullet holes in trees, trunks and in building walls.

There were many bullet marks in the road near the Democracy Monument, suggesting that troops had fired not into the air as a warning — as military spokesman had once said — but at the crowds.

The nation's supreme military commander, Air Chief Marshal Kasat Rojananit, has insisted that the soldiers acted with restraint, and that "all Thai people are responsible together for the crisis."

CORPUS: Deployment Set

(Continued from page 1)

Treaty Organization and that German soldiers assigned to the so-called Euro-corps would not be subtracted from the allied force structure.

"The Americans often tell us we must do more for our own security," Mr. Kohl said. "This corps should be a reason to celebrate in Washington because Europeans are finally doing what they have been asked to do for a long time."

Mr. Kohl insisted that the presence of American troops in Europe was "desirable, necessary and important" to ensure peace and security on the Continent.

U.S. forces are being trimmed by more than half to a level of 150,000 by 1995, and there are calls in Congress for greater reductions.

Alluding to budgetary pressures in the United States, Mr. Mitterrand said it was only prudent for European countries to take more responsibility for their security.

"We don't want to see American troops leave," he said, "but who knows what decisions will be taken because of the economic difficulties facing the American leadership?"

The U.S. defense secretary, Dick Cheney, has given cautious approval to the formation of the French-German corps. But General John H. Galvin, the retiring supreme allied military commander, has warned that confusion could result unless NATO retained primary in dealing with military crises affecting Europe.

While French and German officials say the Euro-corps is being designed to act beyond NATO's theater of operations, General Galvin said it was difficult to conceive of the European corps acting in a crisis in which NATO was not prepared to intervene.

Britain and the Netherlands have raised objections to the possibility that the Euro-corps would duplicate much of the work that NATO's existing infrastructure can fulfill and end up costing too much money at a time when all allies are seeking to cut military spending.

If the European allies commit a sizable number of troops to the Euro-corps just when politicians are pruning defense budgets, NATO officials fear the effort could undermine the alliance's military structure.

The primary missions of the French-German corps will be defending allied territory, serving as an international peacekeeping force and providing humanitarian aid. Each government must give its assent before the multinational force can be sent into action.

At the outset, the corps will consist of the joint 4,200-man brigade set up three years ago as a largely symbolic example of military cooperation.



Italian workers leading a hand to three elderly Bosnian refugees making their way to shelter in Vipiteno, in Alto Adige, on Friday.

OKINAWA: A Cup of Bitter Tea

(Continued from page 1)

religion of the island, a mix of animism and ancestor worship, was influenced by China, as was its music. Okinawa developed a highly esteemed textile industry, using plantain fiber rather than cotton or silk.

But Okinawa's economy lagged, largely as a result of policies formulated in Tokyo. In short, the world looked much different from this easygoing, seaside city than it did from Japan's main islands.

That was never more true than in 1972. In Tokyo, the revision symbolized Japan's rehabilitation from the defeat of World War II and the beginning of a forward-looking era. But it came at a price, which Okinawa paid on Japan's behalf. Japan allowed the United States to keep its military bases here, a keystone in America's Cold War strategy in Asia.

Today, three-fourths of the American forces in Japan are on Okinawa, or more than 30,000 sol-

diers. The bases take up one-fifth of all the land on the main island here.

Okinawan officials acknowledge that the bases have brought economic benefits, since rent is paid on the land and the bases employ about 8,000 local people. At one time they dominated the economy, but now tourism is the leading industry and much of the base land could be developed far more profitably for resorts or other projects.

More important, the military sites are a nettlesome reminder that, as many here put it, the islands are occupied by a foreign power, sanctioned by Tokyo.

American troops took Okinawa in the last campaign of the Pacific war. Nearly a third of the residents, or almost 150,000 people, were killed as the Japanese forces chose to retreat directly through populated areas. Hundreds more were forced to commit suicide by the defeated Japanese. More than 12,000 American troops and 107,000 Japanese were killed.

After the war the Americans were, in most instances, generous with the Okinawans. Many here remember the occupation as a period of benign neglect.

Mr. Ota said the Okinawans were waging a battle on two related fronts. On the one hand, he said, the bases must be removed. He ran for office two years ago on a platform of total withdrawal of the bases, a fact that worried some of those celebrating in Tokyo last week.

In addition, the Okinawans insist they will fight to retain their special identity amid a culture that demands conformity.

Corsican Separatists Blow Up Resort Villas

(The Associated Press)

PORTO-VECCHIO, Corsica — Separatist guerrillas evacuated about 60 vacationers at gunpoint and blew up 30 villas at a resort in southern Corsica early Friday, the police said.

About 50 gunmen entered the resort late Thursday, rounded up the guests and took them to a house nearby before destroying the villas, the police said.

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SERBS: Muslim Slaves Rounded Up and Sent Off for 'Ethnic Purification'

(Continued from page 1)

ern reporters were kept from witnessing the roundup by Serbian soldiers at a roadblock on the eastern side of the Drina.

The soldiers said that they had been told to let no outsiders cross from Serbia into Bosnia at Zvornik from 1 P.M. to 2:30 P.M., the exact period, the Zvornik Muslims said later, when the Muslims were being loaded onto the truck.

Afterward, in their home in Zvornik, a Muslim family told of the sudden departure of Serbs from the town in the days before the evening of April 8, when Serbian militia units opened fire on the town's residential areas from across the Drina with tank cannons, mortars, and other weapons; of how Serbian militiamen swept into the town at dawn, rounded up Muslims, and killed groups of them, including at least 50 in one neighborhood near the town center; of how thousands of Muslims had to choose between trying to protect their homes without being killed or volunteering to join other Muslims being driven from the town.

Little of what they said could be independently verified, not even

the accounts of the bulldozed mounds in a gravel pit by the Drina where hundreds of victims of the bombardment and executions were buried in the days after April 9. When militiamen spotted two Western reporters talking to local Serbs near the police headquarters, the reporters were escorted back across the Drina into Serbia and told not to come back.

Despite the lack of corroboration, there was much that suggested military intervention of the kind the UN authorized after Iraq seized Kuwait in 1990.

But so far, little has been done, apart from the decision last week by the United States and the 12-nation European Community to withdraw their ambassadors from Yugoslavia, now composed only of Serbia and Montenegro.

The status of the Bosnian Muslims, who account for 44 percent of Bosnia-Herzegovina's 4.4 million people, took a turn for the worse on

March 1, when Alija Izetbegovic, the Bosnian president, followed the lead of Croatia, Slovenia, and Macedonia in declaring Bosnia's secession from Yugoslavia.

While Serbian leaders in the republic continued to go through the motions of negotiating with other groups for the creation of an independent Bosnia composed of ethnic "cantons," Serbia, the Yugoslav Army, and Serbian militias in Bosnia began putting a plan into effect to carve up Bosnia on ethnic lines, with about two-thirds of the republic's territory to be seized for the Serbs.

The Serbs worked from an ethnic map. With arms and ammunition supplied by the army, and in many cases with the army fighting alongside them, Serbian militias seized a wide corridor of eastern Bosnia adjacent to Serbia, including towns with large Muslim populations like Bijeljina, Zvornik, Bratunac, Vlasovica, Visegrad, Gorazde, and Foca.

To this, they planned to add a northern corridor of Bosnia that would connect Serbia to Serb-held areas of Croatia, and to Serbian strongholds in northwestern parts of the republic around Bihać. In the southern Herzegovina region, they

fought for Muslim towns like Mostar, apparently hoping to create another corridor connecting to southern Serbia and Montenegro.

The notion of harmony on the Drina has deep roots in the psyche of Yugoslavia, whose most celebrated 20th-century writer, Ivo Andrić, wrote a novel, "Bridge on the Drina," that helped him win the Nobel Prize for literature in 1961.

The book is centered on Visegrad, and the 16th-century stone bridge across the river is a metaphor for the interwoven cultures, Serbian, Croatian, Turkish, Orthodox Christian, Roman Catholic, and Muslim, that have made the town. In the Serbian offensive, Visegrad was one of the first towns to be seized, and its Muslims, like Zvornik's, are now mostly in refugee camps.

The Muslims in Zvornik built barricades, but their situation was strategically hopeless. Since Roman times, when the narrow gorge between what is now Serbia and Bosnia was first spanned by a bridge, Zvornik has been a prime target for invading armies.

The Romans, the Turks, the Austro-Hungarian forces in World War I, and the Germans in World War II, all seized the town. The Serbs completed the job in barely 12 hours. But their objective, more than occupation, was expulsion of the town's Muslim majority.

First, there was terror. One man in his 60s described how he watched the town's veterinarian, a Muslim, being machine-gunned along with other Muslims in front of the veterinarian's wife and daughter.

The man said that he had counted at least 50 bodies of Muslims in the gardens of homes back from Zvornik's main street, where four-story homes with steep roofs crowd against the towering escarpment of Vrtolomac, the "neck-breaking hill" that overlooks the town.

The man said that one of the dead was a 17-year-old Serbian girl whose throat had been cut.

"She was slaughtered just because she asked them not to do anything to the Muslims," he said.

The Serbian terror tactics are aimed at making a Serbian stronghold of a region where 78 percent of a population of about 450,000 people were Muslims, and only 10 percent Serbs.

While forced deportations have also been carried out by Muslim Slav and Croatian militias, adding thousands of Serbs to the refugee tide, the process appears to have been carried out more systematically, and on a wider scale, by the Serbs.

Their actions, and Serbia's support for them, have been condemned by the United States, the UN Security Council, the European Community, and with increasing anger by Muslim nations around the world, whose leaders, like President Turgut Ozal of Turkey, have argued for international

musical intervention of the kind the UN authorized after Iraq seized Kuwait in 1990.

But so far, little has been done, apart from the decision last week by the United States and the 12-nation European Community to withdraw their ambassadors from Yugoslavia, now composed only of Serbia and Montenegro.

The status of the Bosnian Muslims, who account for 44 percent of Bosnia-Herzegovina's 4.4 million people, took a turn for the worse on

March 1, when Alija Izetbegovic, the Bosnian president, followed the lead of Croatia, Slovenia, and Macedonia in declaring Bosnia's secession from Yugoslavia.

While Serbian leaders in the republic continued to go through the motions of negotiating with other groups for the creation of an independent Bosnia composed of ethnic "cantons," Serbia, the Yugoslav Army, and Serbian militias in Bosnia began putting a plan into effect to carve up Bosnia on ethnic lines, with about two-thirds of the republic's territory to be seized for the Serbs.

The Serbs worked from an ethnic map. With arms and ammunition supplied by the army, and in many cases with the army fighting alongside them, Serbian militias seized a wide corridor of eastern Bosnia adjacent to Serbia, including towns with large Muslim populations like Bijeljina, Zvornik, Bratunac, Vlasovica, Visegrad, Gorazde, and Foca.

To this, they planned to add a northern corridor of Bosnia that would connect Serbia to Serb-held areas of Croatia, and to Serbian strongholds in northwestern parts of the republic around Bihać. In the southern Herzegovina region, they

fighting for Muslim towns like Mostar, apparently hoping to create another corridor connecting to southern Serbia and Montenegro.

The notion of harmony on the Drina has deep roots in the psyche of Yugoslavia, whose most celebrated 20th-century writer, Ivo Andrić, wrote a novel, "Bridge on the Drina," that helped him win the Nobel Prize for literature in 1961.

The book is centered on Visegrad, and the 16th-century stone bridge across the river is a metaphor for the interwoven cultures, Serbian, Croatian, Turkish, Orthodox Christian, Roman Catholic, and Muslim, that have made the town. In the Serbian offensive, Visegrad was one of the first towns to be seized, and its Muslims, like Zvornik's, are now mostly in refugee camps.

The Muslims in Zvornik built barricades, but their situation was strategically hopeless. Since Roman times, when the narrow gorge between what is now Serbia and Bosnia was first spanned by a bridge, Zvornik has been a prime target for invading armies.

The Romans, the Turks, the Austro-Hungarian forces in World War I, and the Germans in World War II, all seized the town. The Serbs completed the job in barely 12 hours. But their objective, more than occupation, was expulsion of the town's Muslim majority.

First, there was terror. One man in his 60s described how he watched the town's veterinarian, a Muslim, being machine-gunned along with other Muslims in front of the veterinarian's wife and daughter.

The man said that he had counted at least 50 bodies of Muslims in the gardens of homes back from Zvornik's main street, where four-story homes with steep roofs crowd against the towering escarpment of Vrtolomac, the "neck-breaking hill" that overlooks the town.

The man said that one of the dead was a 17-year-old Serbian girl whose throat had been cut.

"She was slaughtered just because she asked them not to do anything to the Muslims," he said.

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Musical Association Game by Bernice Gordon

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Solution to Puzzle of May 16-17

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SANCTIONS U.S. Clamps Down

(Continued from page 1)
expedited signing of a...
Mr. Baker declined to say...

Mr. Baker declined to say...
We have some ideas on...

Mr. Baker declined to say...
We have some ideas on...

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Yanks Are Coming, but Tight-Fisted

By Barry James
International Herald Tribune
PARIS—Like crocuses peeking out of the ground after a long hard winter, signs of an American tourist revival are starting to appear around Europe.

But he said it was somewhat more difficult to see a similar resurgence in the leisure sector.
Clare Sheppard, of the luxury goods retailer Asprey Pic In London, said demand by American buyers was picking up, "although I wouldn't call it hell-for-leather."

Both Sotheby's and Christie's auction houses say American buyers are coming back to the market after sitting on their hands since the Gulf War. American private buyers predominated at Sotheby's sale of impressionist and modern paintings in New York earlier this month. It was, says the auction house, "the strongest sale since the fall of 1990."



A Roman carriage driver grabbing a quick snooze in the springtime sun as he waited for tourists to come after lunch.

LUXURY: Big Spenders Alive Again, European Designers Find

(Continued from page 1)
customers. The fear has been that the current recession is caused not just by a shortage of money but by lack of will—a change of heart toward conspicuous consumption. The sight of people out spending during a sunny Paris week this gives a psychological boost to a nervous industry.

Hermes and Cartier up 20 to 30 percent in turnover over last year.
It is not true that designer labels don't count any more just because it is the caring '90s," Mr. Cole said, citing a Gianni Versace man's T-shirt at £75 that was a sellout. "If a luxury brand has been well-developed, customers will pay for it."

Yet, 1992 might turn out to be slower than 1991, as though the brakes applied during the Gulf War have only now brought the gravity train to a halt. LVMH announced last week a very sluggish first quarter with revenue up only 1.8 percent, although Mr. Vindry said that this is due to the champagne business and that Dior perfumes is up 15 to 20 percent.

Weizsäcker Chided for Wealth Tax Suggestion

BONN—President Richard von Weizsäcker of Germany was criticized Friday by members of Chancellor Helmut Kohl's Christian Democrats for proposing a wealth tax to help finance reunification.
The Christian Social Union, the conservative Bavarian sister party of the Christian Democrats, was particularly harsh in its reaction.

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Too Hot for French Melting Pot

PARIS—At sunset, the muezzin's mournful wail echoes through the cobblestone streets. An Islamic bookstore rolls down its shutters as men unfurl straw mats in the street, remove their shoes and kneel to pray. Women in flowing djellabas cover their faces as they scurry through the arches of a makeshift mosque.

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PLO Backers Deal Fundamentalists A Blow in a West Bank Test of Power

NABLUS, Israeli-Occupied West Bank—Backers of the Palestine Liberation Organization defeated Islamic fundamentalists Friday in an election here.
Nationalists linked to the PLO won 12 of the 13 positions on the board of the Nabati Chamber of Commerce in a vote that was considered a test of strength for Palestinian political groups. Islamic List candidates won the remaining three seats.

barometers of PLO and Islamic strength.
Since last year, when Israel allowed Palestinians to stage chamber of commerce elections in the occupied territories, votes have been held in three West Bank cities and one in the Gaza Strip.

edged that they had sought support for their political views.
Nationalists, who back the current Israeli-Arab peace talks, have said they want to use the chamber of commerce to help build the Palestinian economy. Islamic candidates, who oppose the U.S.-brokered talks, say they want to prevent acceptance of Israeli proposals for limited self-rule in the occupied territories. They want an Islamic state covering Israel and the occupied territories.

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Herald Tribune

A Nuclear Obligation

The urgent and delicate task of disposing of the nuclear arms of the three nations other than Russia that inherited the Soviet strategic arsenal is notably closer to completion as a result of the Washington trip of Nursultan Nazarbayev, president of Kazakhstan...

improve its security ties with Russia and other states of the former Soviet Union, to remove possible bones of contention between it and nuclear China and to move into a broad pattern of cooperative relations with Washington and the West.

Quayle's Unreal World

First, let's get past the silliness. For all the mirth he has provoked among TV comedians, Vice President Dan Quayle did not blame the Los Angeles riots on Murphy Brown, the situation-comedy character. He only used her fictional out-of-wedlock baby to illustrate a much larger, grimmer accusation, one that cannot simply be laughed off.

newly laid bare by the Los Angeles riot. It is a world in which poor people starved for police protection are left to fear, instead, police brutality... in which poor young men who need work and a future are left to join gangs...

Speaking of Values ...

Most of the discussion about "a poverty of values" — as Vice President Dan Quayle put it the other day — has focused on the inner city, where the breakdown of family structure, personal responsibility and the social order is supposed to be most acute.

sentences, the courts have imposed more than \$15 million in fines and ordered restitution of more than \$400 million.

Roads but No Freedom

Not much happens to catch the world's eye in Malawi, a sliver of a country 200 miles (480 kilometers) long, tucked deep in southern central Africa.

clamor for greater freedom and an end to one-party tyranny. Their cause was taken up by Roman Catholic bishops, speaking for a third of the population, in a pastoral letter condemning abuse of human rights and a harsh economic system.

INTERNATIONAL HERALD TRIBUNE KATHARINE GRAHAM, ARTHUR OCHS SULZBERGER Co-Chairmen LEE W. HUEBNER, Publisher JOHN VINOCUR, Executive Editor...

Force Against Serbia? If It Comes to That

By Stephen S. Rosenfeld

WASHINGTON — The new idea in Washington is to use force against Serbia to check its expansionism in the former Yugoslavia. The notion is moving up in public discussion though not yet in official opinion.

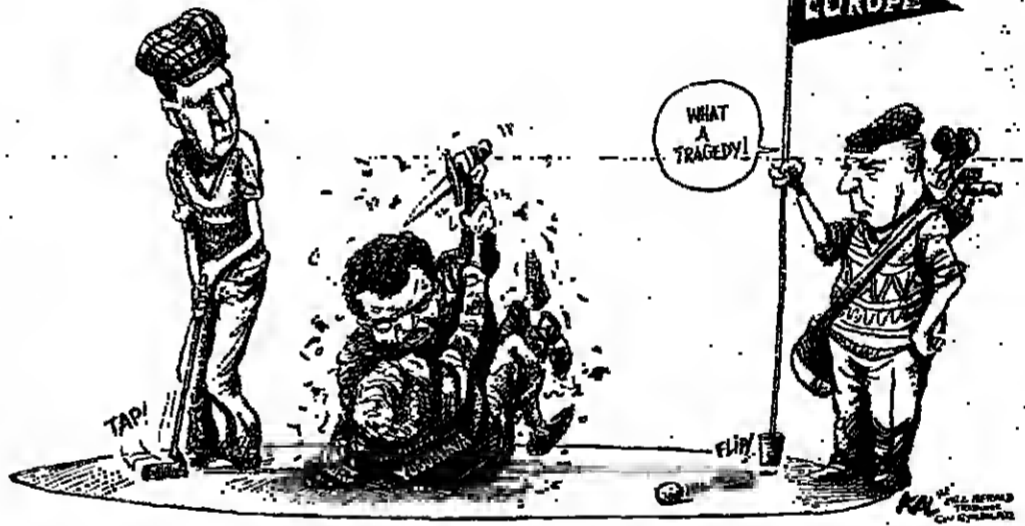
NATO or a United Nations air shield protecting civilians who are under Serbian air assault, combined with a diplomatic initiative to protect the rights of minorities living outside their homelands: That kind of package is in order.

A Scream of Agony Falls on Deaf European Ears

By A. M. Rosenthal

MADRID — Every day now, the new Europe shows it can be strong, united and independent of the United States — but only until a real crisis comes along that it has to handle itself.

and open the rusty umbrella of the United Nations. Neither is present now in Europe. Politically a united Europe is one more fictional creature that walks without clothes.



Transcaucasia: Dancing on a Needle in Heavy Winds

By Leslie H. Gelb

NEW YORK — As Armenian irregulars beat down on Nakhichevan (an Azerbaijani enclave in Armenia) and gain control of Nagorno-Karabakh (an Armenian enclave in Azerbaijan), and as Turkey debates intervening to protect its Turkic and Muslim brethren, Bush administration policy dances on the point of a needle.

discussing events in Transcaucasia. She began by announcing that the United States "will not accept unilateral changes in the status of Nagorno-Karabakh, Nakhichevan, or any other territory [by] military actions or violence."

Get Right With the UN

By Ronald Spiers

WASHINGTON — The United Nations is no longer a marginal factor in world affairs, as demonstrated recently in the Gulf, Afghanistan, Central America and Cambodia. The time has come to align U.S. policy with this new reality and to face fully the financial obligations of membership.

Q: So the situation is that the U.S. simply will not take a position on who is the aggressor and who is the victim... A: Right... Q: What does it mean that the U.S. "is not going to accept unilateral changes..."

This Crisis Won't Stop Germany

By Norbert Walter

F RANKFURT — Is Germany's high-powered economy headed for trouble? With the average hourly wage at \$25.14 — the world's highest — and new settlements that on the surface do not appear to curb the upward trend, pessimists say Germany is going to become less, not more, competitive.

The current slowdown is mainly cyclical, yet we have convinced ourselves that it is a direct result of high costs of production, especially labor. The debate that this perception of crisis has spawned means "the private sector is addressing problems in 1992 it would surely face closer to 1997."

For instance, auto production will focus increasingly on luxury cars, research and development and component production at the high end of the market. Even Eastern Germany, where new plants inevitably will be Europe's most modern, is beginning to become a center of high-tech production.

It is equally important that the tax and investment climate be conducive to putting up the enormous funds required for research and development. On both counts, Germany is well-positioned.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1892: Economic Uproar

LONDON — The uproar continues over the bold economic discourse of Lord Salisbury, who contended in a speech at Hastings last Wednesday [May 19] that the principle of taking in goods of all nations duty-free might be very noble, but it was not business.

1917: Dog for the Cause

PARIS — The American Hostels for Refugees received an unusual donation from Mrs. Leo-Chide of Paris, Sing-Tzar, a smart and exceptionally beautiful Pekingese dog, will be sold to the benefit of French war sufferers.

Bear, took the Diplôme d'Honneur at the Exposition Caenne de Paris in 1914, and on his mother's side he counts several championships in his ancestry. An upset price of 1000fr. has been placed upon this lovely creature, the sale of which will certainly contribute to the aid of a good cause.

1942: Nazis Driven Out

MOSCOW — [From our New York edition:] The Red Army, battling fiercely through the eleventh day of Marshal Timoshenko's offensive in the Kharkov area, [May 23] had killed more than 15,000 Germans in hurling back Nazi attacks in the last three days. All 15,000 were killed on a single flank of the Kharkov front where waves after waves of shock battalions were thrown against the Red Army. The receding Nazi waves left 3,000 dead in the field in one area in one day, along with heaps of battered tanks and churning dust hovering over the hot Ukrainian plains.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

The writer, a former U.S. Foreign Service officer, retired in February as United Nations Undersecretary-general for special political and General Assembly affairs. He contributed this comment to The Washington Post.

This Crisis Won't Stop Germany

By Norbert Walter

FRANKFURT — Is Germany's multi-powered economy immune to the average boom or bust of the world's major economies? The answer is yes, at least in the short run. Germany is doing better than most, and it is not more complacent than its neighbors.

The average boom or bust of the world's major economies is a double-edged sword. It can be a blessing or a curse. For Germany, the answer is yes, at least in the short run. Germany is doing better than most, and it is not more complacent than its neighbors.

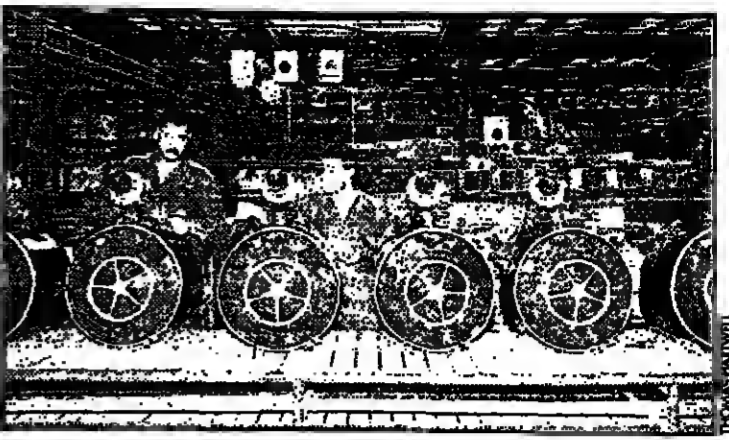
The average boom or bust of the world's major economies is a double-edged sword. It can be a blessing or a curse. For Germany, the answer is yes, at least in the short run. Germany is doing better than most, and it is not more complacent than its neighbors.



Busy production lines, of fire extinguishers in Cairo...

EGYPT

THE DIVIDENDS OF PEACE



...and of appliances in Sixth of October city.

Renewed Confidence Brings Unexpected Rewards

It has been a good year for Egypt. The economy has made encouraging strides. As the world absorbs the momentous consequences of the collapse of the Soviet Union, it is clear that former President Anwar Sadat's policy of siding with the West in the Cold War has been vindicated.

Egypt emerged a clear winner in the Faustian drama of the Gulf conflict with a massive write-down of its debts and the prospect — thanks to the bite of an International Monetary Fund agreement — of forcing through the kind of structural transformation that has eluded economic managers to date.

After 40 years of turmoil, it is at last possible to envisage the prospect of regional peace — the prize above all others that Egypt seeks to secure for its citizens. These developments imbue policymakers with a sense that they may at last be beginning to have some command over events.

On the economic front, Egypt has passed an important watershed. The inflationary pressures unleashed by the price rises required to activate the IMF agreement have been contained. And there is a policy in place to ensure that credit relaxation goes hand-in-hand with a re-

duction in the budget deficit. The price has been a draconian credit squeeze that has particularly hurt small businesses; they have often been left stranded at the end of an extended payment pipeline. Nevertheless, the economy remains remarkably buoyant despite the squeeze and the cost of accommodating some 400,000 Egyptians who returned from Kuwait and Iraq because of the hostilities.

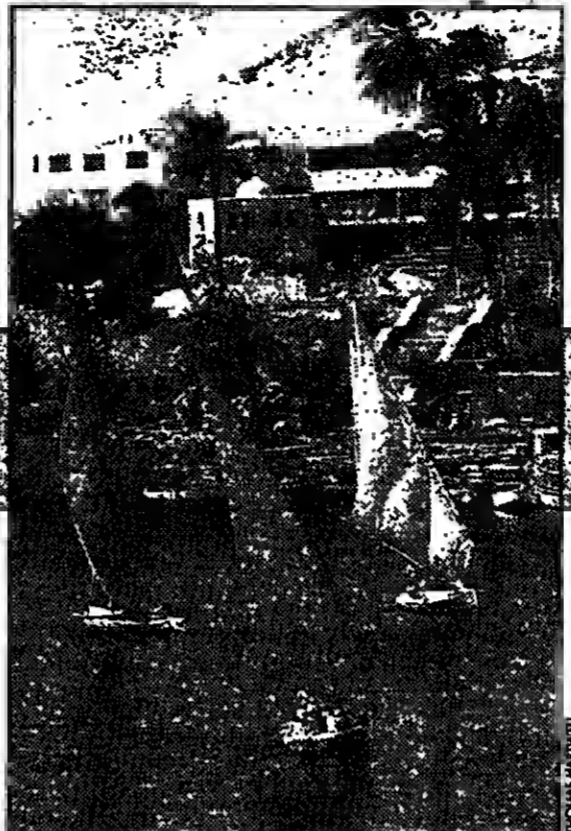
This buoyancy is due to a record inflow of tourists — expected to top 3 million this year — and a largely unremarked inflow of Saudi and Gulf investment, which is driving up real-estate prices and spilling over into tourism, agriculture and industrial ventures. There are also signs of Egyptian private wealth returning to the country.

There is also a sense, at the grass-root level, of an emerging self-confidence

among Egyptians: in the improving quality of construction, the better upkeep of public buildings and parks and of housing generally and in better administrative management.

Exposure to the world market has softened the tone of the opposition. President Hosni Mubarak's skillful steering of Egypt back into the Arab mainstream after Egypt's break with the Arab world in the late 1970s has also ensured that there is no longer any confusion as to the West's role. This time around, Egyptians are decidedly at ease with themselves; the economic boom when it comes will be homegrown.

The most significant battle in Egypt's long march to a market economy has been waged over the transferral of parts of the economy to the private sector. Throughout the mid-1980s, it was clear



The calm of sailing boats on the Nile. The bustle of factories producing exports. These are symbols of Egypt's returning prosperity and appeal. But peace has also brought the opportunity for fundamental economic reform and a higher profile for Cairo in world diplomacy.

Debts Are Halved, Inflation Is Curbed, Dollars Flow In

Egypt's military debts are now set to be wiped from the slate, together with a large slice of Egypt's other official debts, in recognition of Cairo's stand in the Gulf War.

In all, the total debt will be halved from some \$49 billion to \$25 billion (of which \$14.8 billion is private debt) and, more significantly, the country's debt-service profile has been transformed, provided Egypt keeps on track with its IMF reform program.

The external account has rarely looked so healthy. With an extra \$1.7 billion to play with this year from forgiven or deferred debt service charges, an unexpectedly good run on most of the conventional foreign-exchange earners, particularly tourism, and remittances picking up, reserves have jumped to the equivalent of over five months of imports.

Another factor bolstering reserves has been the strong inflow of dollars into Egypt to take advantage of the real interest rate regime introduced in January 1991. With the Egyptian pound virtually unchanged against the dollar since flotation last

autumn — confounding IMF assumptions of an annual 15 percent depreciation in the currency — deposits in Egyptian pounds have been an extremely profitable investment.

If Adel El-Labban of the Commercial International Bank is correct when he asserts that the pound is actually undervalued, pound deposits will continue to be in demand, further underscoring the stability of the currency and eliminating imported inflation.

According to the minister of cabinet affairs, Atef Obeid, inflation dropped from 26 percent to 21 percent in the 12 months to the end of March. (Other independent analysts put the rate as low as 17 percent.) Government revenues from customs dues and the recently introduced sales tax have exceeded expectations, and the tax take has risen to 20 percent of GDP.

Mr. Obeid adds, "We are enlarging the taxable base and introducing a

global tax. We have to improve tax savings by refinements to the data base and improve collection methods."

On the expenditure side, the government has been more successful than expected in reining in its spending. Mr. Obeid estimates that the budget deficit for the fiscal year to the end of June will consequently be held to between 6.8 percent and 7.1 percent of GDP — well within the 9.3 percent guideline set by the IMF and within striking distance of the 6.5 percent target for 1992-93.

The difference this time with official attempts to control public expenditure while managing credit expansion is that a clear mechanism is established through the issuing of Treasury Bills that link government spending to the available money stock. High demand on the stock automatically raises the cost of money.

Conversely, the present lower-than-expected public

Continued on Page 10

Continued on Page 9


103 Companies of the Fortune 500 bank with us... compared to 65 companies 3 years ago.

Company	1989	1990	1991	1992
GENERAL MOTORS	107,000.0	107,000.0	107,000.0	107,000.0
IBM	100,000.0	100,000.0	100,000.0	100,000.0
AMERICAN AIRLINES	90,000.0	90,000.0	90,000.0	90,000.0
AT&T	80,000.0	80,000.0	80,000.0	80,000.0
WAL-MART STORES	70,000.0	70,000.0	70,000.0	70,000.0
DUKE ENERGY	60,000.0	60,000.0	60,000.0	60,000.0
UNITED STATES STEEL	50,000.0	50,000.0	50,000.0	50,000.0
AMERICAN EXPRESS	40,000.0	40,000.0	40,000.0	40,000.0
AMERICAN SATELLITE	30,000.0	30,000.0	30,000.0	30,000.0
AMERICAN TELEPHONE	20,000.0	20,000.0	20,000.0	20,000.0
AMERICAN TRAVEL	10,000.0	10,000.0	10,000.0	10,000.0

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100, 75 AND 50 YEARS AGO

1942: Nazis Driven Out

Cairo Once Again at Hub of Arab World

Egypt's star in the diplomatic firmament has rarely shone brighter. Two of its elder statesmen, Boutros Boutros Ghali and Esmat Abdel Meguid, head the United Nations and the Arab League, respectively.

At the same time, a newfound economic self-confidence and diplomatic maturity is subtly changing regional relationships, particularly with its erstwhile paymasters in Saudi Arabia and the Gulf.

Gulf War pays dividends

never been so in demand. A decade ago, the situation looked very different. Egypt, dangerously marginalized and isolated in regional affairs, was feeling the economic impact of the Arab boycott following the Camp David accords with Israel. It says much for the dogged perseverance of President Hosni Mubarak in rebuilding bridges with the Arab world that Egypt's rehabilitation has been so successfully completed.

The breakthrough occurred in 1987, when diplomatic ties were re-established with Saudi Arabia and the conservative bloc, and the reconciliation was formalized by Egypt's re-admission to the Arab League in May 1989. A little more than a year later, the Arab League had moved from a temporary home in Tunis to its headquarters in Cairo, and Esmat Abdel Meguid was elected secretary general.

From Cairo's perspective, this was gravity reasserting itself over aberrational political forces, a reassertment of Egypt's natural position.

In the Gulf crisis of August 1990, Cairo's leadership in first opposing the invasion and then committing troops to the expeditionary force to oust Saddam Hussein was the catalyst for the formation of the Arab coalition essential to the success of the wider diplomatic mobilization in the UN.

The political dividend for Egypt in taking a swift and decisive stand was both practical and psychological. Grateful Western

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allies wrote off over half of Egypt's official debts, providing the breathing space essential to making the May 1991 economic reforms work. The psychological impact is still being felt in the newfound seriousness with which the West now views Egypt's reform moves.

Although Egypt has moved off center stage in the peace process, it derives satisfaction from the fact that the protagonists are now talking to each other, and its potential role as an "honest broker" remains. The Palestinian negotiating team was in Cairo in mid-April to be debriefed on peace talks. Mostafa Khalil, the former prime minister who was a prime mover behind the Camp David accords, says, "We try to advise the Palestinians on how to negotiate. They have to create personal relations with the Israelis."

Egyptian officials make little attempt to hide the difficulties they faced in dealing with the Israelis but point to the signing of 26 nonmandated agreements as proof that Egypt did its bit to put flesh on the Egyptian-Israeli peace treaty. Selective cooperation with Israel is growing,

particularly in the tourism, energy and agricultural sectors.

Egypt perceives real grounds for hope in the enormous geopolitical changes that have taken place in the world since the collapse of the Soviet Union and the new impetus in the West to solve the Middle East problem. It is encouraged by the United States taking a much more holistic view of the region and is anxious to capitalize on the momentum of what it sees as America's more constructive contribution.

Nevertheless, the painfully slow pace of the negotiations — now caught in the cycles of the Israeli and U.S. elections — takes place against the background of chronic instability of the region.

In this context, the West's dispute with Libya over the Lockerbie affair is particularly distressing for Egypt. No matter what the position in law regarding the surrender of the Libyan suspects and the imposition of sanctions against Libya, the Egyptian government has to deal with a domestic constituency that, while not necessarily having any particular love for Colonel Moammar Gadhafi, feels the West is

getting at Libya to make a point. There are complaints of double standards, particularly as regards the Security Council's reluctance to sanction Israel for its failure to implement UN resolutions. The concern is that Libyan sanctions will play into the hands of the fundamentalists by confirming the suspicion that the West is anti-Islam.

The Libyan crisis raises fears of economic disruption should the 500,000 to 1 million Egyptians in Libya be forced to return home. Egypt is still trying to absorb a net intake of 400,000 expatriate workers forced home in the wake of the Gulf War.

Egypt is trying to encourage a greater frankness in inter-Arab diplomatic dealings as a first step to the adoption of more mature and realistic positions. As one Foreign Ministry official put it: "The Arab world has to change. The question is how it will change. We will not become Western because we are not Western. We are trying to find a new identity. It will be progressive or fundamentalist. Either way, it will be Islamic." A.M.

Egyptian at the Center Of World Peacekeeping

Symbolic of Egypt's increasingly central role in world affairs was the appointment this year of an Egyptian, Boutros Boutros Ghali, as the world's top diplomat, secretary-general of the United Nations, the man most deeply involved in efforts to keep the peace around the world.

Handpicked by the late President Anwar Sadat to accompany him on his historical visit to Jerusalem in 1977, Mr. Ghali made a leap from the academic world into that of international politics.

Before his appointment as minister of state for foreign affairs, few observers were aware that Mr. Ghali, who had been head of the Political Science Depart-

ment at Cairo University since 1949, had developed an interest in public life. But he had in fact become a member of the central committee of the ruling Arab Socialist Party in 1974 and later its politbureau. "My appointment came as no surprise to me," says Mr. Ghali.

He entered the bastion of the Foreign Ministry armed with a formidable list of books, research papers and lectures he had prepared in his field, but he had no practical experience in diplomacy. The depth of his knowledge of international law and politics and his conviction of the necessity of a peaceful settlement to the Arab-Israeli conflict enabled him to carry out the difficult task of negotiating peace with Israeli counterparts.

Mr. Ghali has referred to his relationship with the late president as "excellent, and based on mutual trust," adding, "I had his confidence, and he often entrusted me with very delicate missions."

In a number of difficult situations, Mr. Ghali has shown a marked resilience and earned high praise for patience and perseverance. Despite his failure to obtain the support he needed to run for the post of UN commissioner for refugees three years ago, he accepted the challenge of seeking the top position at the international organization.

In an exclusive interview, he describes his task as "formidable but not insurmountable," and added, "But I took the job knowing full well what it would entail." A down-to-earth realist, Mr. Ghali was keen not to raise expectations about his new role, saying in his inaugural address, "I am not one of those who

stretch so thin in trying to meet the growing number of assignments."

He says he regards his task as threefold: "First, to bring the sometimes unrealistic expectations down to well-defined, feasible goals; second, to restructure the United Nations machinery so that it can adequately respond to the new demands; and third, to promote the concept of the 'division of labor' by urging greater involvement of regional and non-governmental organizations in solving the world's problems." O.T.



Boutros Boutros Ghali

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This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. Alan Mackie is a London-based journalist who has been writing about Egypt and who visited Cairo for this supplement. Michael Frenchman is also based in London and travels frequently in the Middle East. Olfat Tohamy is a free-lance journalist living in Cairo. Pamela Ann Smith is a London-based writer and consultant on the Middle East.

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TOTAL DEPOSITS	7 398	9 153	CASH & BALANCES WITH BANKS & CORRESPONDENTS	3 097	4 429
DUE TO OTHER BANKS	430	775	TOTAL INVESTMENTS & PARTICIPATIONS	1 532	1 934
TOTAL CREDITORS	608	509	TOTAL OF LOANS AND ADVANCES	4 040	5 320
PROVISIONS	637	810	SUNDRY DEBIT BALANCES	625	404
TOTAL SHAREHOLDERS EQUITY	221	790	TOTAL ASSETS	9 294	12 037
TOTAL LIABILITIES	9 294	12 037	CONTRA ACCOUNTS	1 940	2 051

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A Quiet Revolution Transforms Farm Life

The popular image of Egyptian agriculture encapsulated in the timeless images of fellahen, donkeys, date palms, pigeon lofts and buffalo at water wheels belies a quiet revolution taking place on the farm.

The agricultural revolution is spurred by a twofold impetus: the need to improve production by dismantling the state-controlled pricing structures, both of agricultural inputs such as pesticides and seeds and of farm gate prices; and the need to expand the area under cultivation through land reclamation.

By the end of this year, virtually all direct subsidies on farm inputs will have been eliminated, and farm gate prices on all produce except cotton freed. Cotton prices, until recently only 40 percent of world prices, are to be fully liberated in 1992.

The need to revamp Egyptian agriculture has to be seen in the context of the population explosion and urban encroachment. As recently as the early 1970s, Egypt was a net exporter of food; today it suffers from a deficit of several billion dollars on its food account.

The agricultural reforms, together with scientific advances — new plant strains, etc. — are already making a significant impact on productivity; agricultural production was up 8 percent in fiscal 1990-91 and the food deficit declined.

Egypt will continue to rely on imports to cover market needs in wheat (for which local production covers only a third of consumption), beans,

vegetable oil and meat, and will concentrate on producing export-led, high-value fruits and vegetables.

The main thrust for increasing nontraditional agriculture comes from land reclamation, and the most striking evidence of the progress made is the Desert Road between Cairo and Alexandria. Here a number of major reclamation projects produce all forms of tropical, semi-tropical and deciduous fruit and vegetables.

Over the past 10 years, some 60,000 feddans (25,200 hectares) of desert have been reclaimed, more than offsetting the 30,000 feddans lost to urban encroachment. Reclamation is now adding 40,000 feddans of cultivable land each year.

The Nile, according to the latest research, should be able to sustain a million feddans of reclaimed land, which would raise the cultivable area to some 7 million feddans.

In the view of Nadia Niazi Mostafa, who with her brother Hatem farms 725 feddans by the Nasseriya canal northwest of Cairo, it pays to be an engineer rather than an agriculturalist when setting up a reclamation project, as planning the infrastructure of a farm is crucial to its success.

Their engineer father founded the lower farm adjoining the canal in 1961. When the opportunity arose



At Nimos farm, coarse cloth shades flowers.

in 1986 they laid claim to a further 450 feddans up the hill. They have been able to develop these using their water quota from the Nasseriya canal.

Viewing the Niazi Mostafa's thriving operation today, with its mature citrus and mango orchards in the lower farm on the newly reclaimed ground and the lines of vines interspersed with almond, apple and other deciduous saplings, it is easy to take for granted what you see.

But the metal road and power only arrived some five years ago, and power cuts are still common. What it all shows is that reclamation can be made to pay with proper funding and planning. Patience and management continuity are also required.

A.M.

Problems on the Road to Privatization

Privatization has moved center stage on the Egyptian economic scene, along with reform of the stock exchange and capital markets.

Opinions differ as to how the public sector should be divested. Progress so far has been leisurely; as of November last year, only around 2,000 small-scale locally owned public entities had been offered for sale, together with two hotels. There is a consensus, however, that the next 12 months will see radical changes in the public sector.

Public Investment Law 203 of November 1991 establishes the legal basis for the privatization of Egypt's 393 state enterprises as well as some 240 joint ventures. It appoints boards to run public-sector companies, the assets of which will be owned by holding companies structured on industry lines and controlled by general assemblies.

The general composition of the boards and the assemblies has been established — some 460 members of the Egyptian Businessmen's Association are among private-sector members appointed, together with existing public-sector managers. But the composition of individual boards and assemblies has not yet been announced.

While the private sector will be in a position to give the whole process a shove — the EBA is represented on all the government's privatization committees — it is not yet clear whose hand will be on the controls in individual companies.

The new law enables publicly owned companies to sell shareholdings without total privatization, although when more than 50 percent of the shares are divested, the entity

automatically becomes part of the private sector. It will be the board's responsibility to determine how the company is to be restructured and, probably, how the public sector's work force (1.3 million in total) is to be trimmed to accommodate the new realities.

It is a popular misconception to believe that the winds of change are passing the public sector by or that existing managements are not looking at ways to utilize assets more efficiently.

The state automaker Nasco, faced with sharply lower orders, has already cut its work force by nearly one-quarter, to 11,000, and is seeking to lease spare capacity. It is also actively looking for joint-venture partners.

Arab Contractors (Osman Ahmed Osman), Egypt's biggest construction group with 48,000 employees,

valuable time would be lost trying to put a price on assets without market criteria for judging performance.

The public sector possesses many underutilized assets — the insurance companies own a great deal of valuable property, and many state textile mills and cement plants have been renovated with the most modern equipment. The danger is that they would be sold for well below their market worth.

The government, however, is committed to the gradualist approach. The minister of cabinet affairs, Ataf Obeid, says, "We have established a short list of 43 international and local consultants has been established to advise on the evaluation of companies. The first batch of 25 small to medium-sized companies has been selected for privatization, with a view to establishing joint ventures."

They will be analyzed for profitability, market potential, the restructuring requirement and their value. The hope is that by the end of the year, the analysis will be complete and these companies can be sold, if appropriate, either to individual buyers or by block shares.

The aim is to enlarge the private sector base through privatization, increasing the number of private investors in the process, and by stimulating private investment and mobilizing capital and savings, to shrink the power of the public sector.

Adel Al-Labban, of Commercial International Bank, says the private sector should be investing now. "You can buy assets for the same price they were 10 years ago," he says. "This is the time to take the risk." He adds, "A wait-and-see attitude could jeopardize a unique opportunity for realizing Egypt's economic potential."

It is essential that a great deal of effort goes into restructuring public sector companies in the coming year to make them salable, he adds.

This touches the broader philosophy behind privatization: the optimization of the state's investment and the release of resources for investment in areas that legitimately concern the government, such as job creation. This goes with the much broader information-gathering exercise being undertaken by the government with German assistance, which involves drawing a map of the country's economic activities. The human-resource inventory of this program should be completed in July.

Aladdin Saba of Kidder Peabody, A.M.

The government is committed to a gradualist approach

would welcome privatization. Since 1982, Arab Contractors has been unbundled into separate companies with their own executive boards, and it would easily adapt to privatization. From the company's point of view, this would also be beneficial in focusing attention on its 1 billion pounds of unpaid government bills.

Ismail Osman, managing director, says, "The problem is that the government owes us 1 billion pounds, we owe the banks this amount and we are having to pay interest. Profits are finding it hard to catch up."

Mr. Osman sees a privatized Arab Contractors subcontracting out much of its business to free-lance employees. The company has its own training centers for employees and university graduate recruits.

This pragmatic step-by-step approach is questioned by Kidder Peabody, the privatization specialist financial group. It believes Egypt does not have the luxury of taking the gradualist road and should employ more drastic solutions. According to Aladdin Saba of Kidder Peabody, A.M.

Debts Are Halved, Inflation Is Curbed, Dollars Flow In

Continued from Page 7
The government's borrowing requirement is reduced by half, relieving pressure on the money stock, enabling a benign cycle to be established in which Treasury Bill rates are pitched lower, bringing down interest rates and helping to reduce inflation. It should give the authorities scope to relax credit ceilings later this year.

This is good news for beleaguered small-businesses, which have taken the brunt of banks calling in loans. According to Nassef Sawiris, vice president of the trading and construction group Orascom, the credit squeeze and the ensuing shakeout were necessary for consolidation. The experience of Karim Henein

of the Egyptian Industrial Group bears this out. At the sharp end of the banks' reluctance to lend to small corporate borrowers, he cut his borrowings to the bone. He even constructed the plant that houses his cutlery business himself rather than take on further debt, and he is exploiting the skills he acquired by building a tourist hotel. Nevertheless, he says banks need to rebuild relations with small borrowers.

The lack of bank credit coupled with the high cost of borrowing should make a galvanized capital market attractive to the small corporate borrower, says Ali Tahry of Kidder Peabody. But Mostafa Khalil, chairman of Arab International

Bank, says two changes are essential: "The government should consider exempting stocks and bonds from tax. Secondly, financial intermediaries should be created between banks and investment companies."


Changes to the real economy have to be in place if Egypt is to be competitively placed to take advantage of an upturn in the industrialized economies. Although the recession in Europe has held back nontraditional exports this year, they still represent the best hope for Egypt in the long term.

A Far Eastern glove-maker is doing a roaring trade with Europe out of the Amriyah Free Zone in Alexandria, and a group of Hong Kong

entrepreneurs has been discussing manufacturing ventures with local textile interests. Access to European markets is likely to be more important in the long term than capital.


Meanwhile neighboring Arab markets offer a useful springboard for exports, which should be further boosted by news that the authorities are setting up an export credit agency.

Egypt should have little difficulty competing with other North African countries and Eastern Europe. It has the comparative advantages of cheap, abundant labor and the potential to benefit from economies of scale, thanks to its large domestic market. A.M.



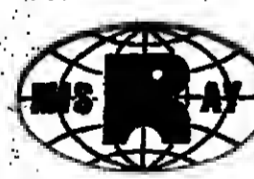
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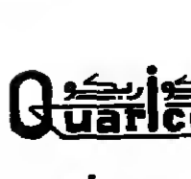
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Mr. Ghali says of the
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He also complains that
the organization have the or-
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"I am not one
of those who
promote what is
beyond the limits
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Ghali

strategies than in trying
to meet the growing num-
ber of commitments.

He says he regards his
work as a record: "First, to
bring the sometimes sur-
prising expectations down
to a realistic level, feasible
and, to restruc-
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Renewed Confidence

Continued from Page 7

that the government lacked the means and the managerial capacity to run the economy, but vested interests ensured that such thoughts were rarely translated into action. The dead hand of the bureaucracy became an excuse for failure, and it is easy to forget the debilitating effect of a system sustained only by its inertia and the idea that time was on its side.

It was the collapse of the Soviet Union and a socialist alternative to the market economy that more than anything undermined the position of the old guard and established the principle that only the private sector had the managerial capacity to promote investment.

This has produced a decisive break in the bureau-

cratic and policy logjam. Management of the economy is now a cooperative effort between government and organizations like the Egyptian Business Association. The reform process is in open water and being borne along by the stream.

This new dynamic in the reform process is perhaps the most encouraging sign that things have fundamentally changed. But it should not be overlooked that Egypt has a huge demographic problem, a chronic housing crisis and a severely underfunded social-service system. Unemployment among first-time job seekers is between 50 percent and 60 percent, and an International Labor Organization report estimates that Egypt would have to enjoy



President Hosni Mubarak — his skillful steering has brought Egypt back into the Arab mainstream.

growth rates of at least 8 percent over the next 10 years to make much impact on unemployment.

In Egypt, many problems can be seen as opportunities, however. Despite the enormous physical constraints of poverty and demography, Egyptians have options not open to all developing countries.

They have space. The desert urban development program is an example of how old habits are breaking down and breeding a new frontier spirit on which the private sector is capitalizing. In assessing Egypt's potential, the depth and diversity of Egyptian life should not be overlooked — the multiplier effect operating in

myriad ways to establish networks and business opportunities.

Egyptians have contacts everywhere, from Prague to Copenhagen, from Minsk to Lisbon. There are large expatriate Egyptian communities in Canada and the United States. These are all important assets when confronting the development challenge. The present economic improvement opens a window of opportunity, and the government has a coherent and sustainable policy to seize it. According to Aly El-Tahri of Kinder Peabody, all the elements for takeoff are in place. "The key word is confidence," he says.

Alan Mackie

Big Changes Leave the Banks Stronger

An air of cautious optimism is prevailing in Egypt's banking sector after a year in which fundamental economic reforms have led to considerable changes in the way the country's 200 financial institutions conduct their business.

Commercial banks have generally seen both their assets and deposits improve, while steps have been taken in the state sector to improve capital-adequacy ratios. With a new banking law expected to be implemented later this year, further rationalization is predicted.

The reforms were introduced in 1991 and are aimed at liberalizing the economy as part of a program agreed with the International Monetary Fund and the World Bank. They include the removal of controls on interest rates, measures to free the exchange rate and make the Egyptian pound fully convertible and the imposition of strict credit ceilings on bank lending.

As a result of the interest rate changes, many of Egypt's 38 commercial banks experienced a squeeze on funds: loan contracts issued at lower rates before the liberalization had to be honored, but higher rates had to be

paid to depositors to attract customers. As the cost of funding increased, some of the banks had to carry the costs on their balance sheets.

On a more positive note, exchange rate liberalization and the stability of the Egyptian pound relative to the U.S. dollar have helped to attract deposits,

particularly from expatriate workers who returned during the Gulf crisis in 1990.

This has to be balanced against the fact that the credit ceilings, designed to curb inflation, have adversely affected banks' loan portfolios, while small spreads between lending and deposit rates have also narrowed opportunities for increasing income and profits.

Most commercial investment and joint-venture banks have not yet reported their 1991 results, but initial indications are that the best-managed and well-funded institutions have managed to weather these radical changes successfully. Commercial International Bank, whose largest shareholder is the

state-owned National Bank of Egypt, reported net profits of 75 million Egyptian pounds (\$22.6 million), while its balance sheet rose to 4.4 billion pounds. The bank is now planning to increase its capital from 150 million pounds to 250 million pounds.

Egyptian American Bank, 51 percent owned by the Bank of Alexandria and 49 percent by American Express Bank, saw its net profits decline slightly, by 13 percent, to 65.9 million pounds; but analysts pointed out that this still represented an impressive 2.6 percent return on average assets and a 28 percent return on average equity. Assets rose 20 percent to 2.7 billion pounds. Deposits increased by 22 percent to 2.2 billion pounds, but lending fell marginally to 685.9 million pounds.

The Egypt Arab African Bank reported a slight rise in its assets to 962.9 million pounds, as well as in its deposits, to 470.9 million pounds. Profits reached 6.6 million pounds, up from 6.1 million pounds in 1990. The bank's shareholders include Arab African International Bank (owned by the Central Bank of Egypt, Kuwait's Ministry of Finance and other Arab interests).

The profits of Misr International Bank, Egypt's largest privately owned bank, were outstripped by both CIB and EAB, but

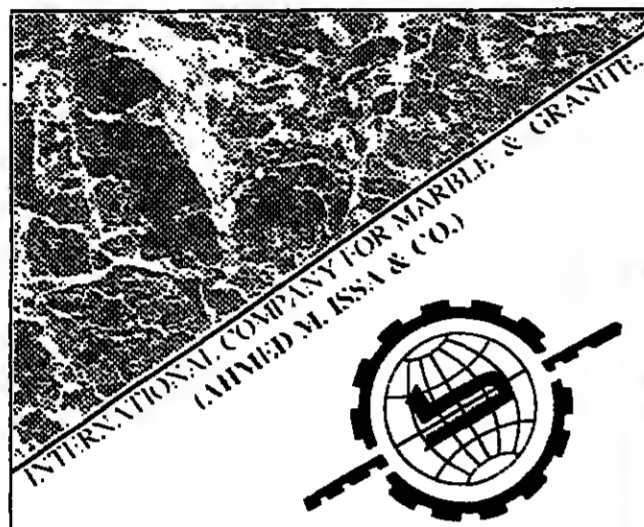
MIBank still registered an increase of 22 percent in 1991 to 42.7 million pounds. Assets climbed substantially, rising by 36 percent, to 6.2 billion pounds, largely because of a 38 percent rise in deposits to 4.6 billion pounds. The shareholders of MIBank, one of Egypt's joint-venture banks, include the First National Bank of Chicago.

As Egypt begins dismantling its large state sector, the financial sector is also gearing up for changes in banking legislation. A new banking and credit law under study will give the Central Bank extensive new powers to regulate and control banks.

Measures being discussed include allowing the Central Bank to order banks to raise new capital or to merge with other institutions, to set limits on the amount that can be lent to a single customer and to appoint directors and managers of banks. All local banks will be required to have a minimum authorized capital of 100 million pounds, and foreign banks will be allowed to establish representative offices in the country, subject to certain restrictions. In return, the Central Bank will ensure that no bank will be allowed to fail.

In the longer term, the reforms will produce a leaner but more profitable sector.

Famela Ann Smith



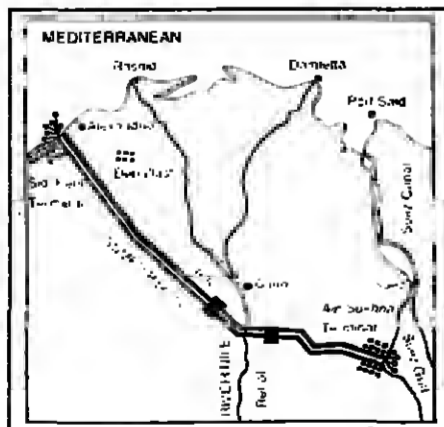
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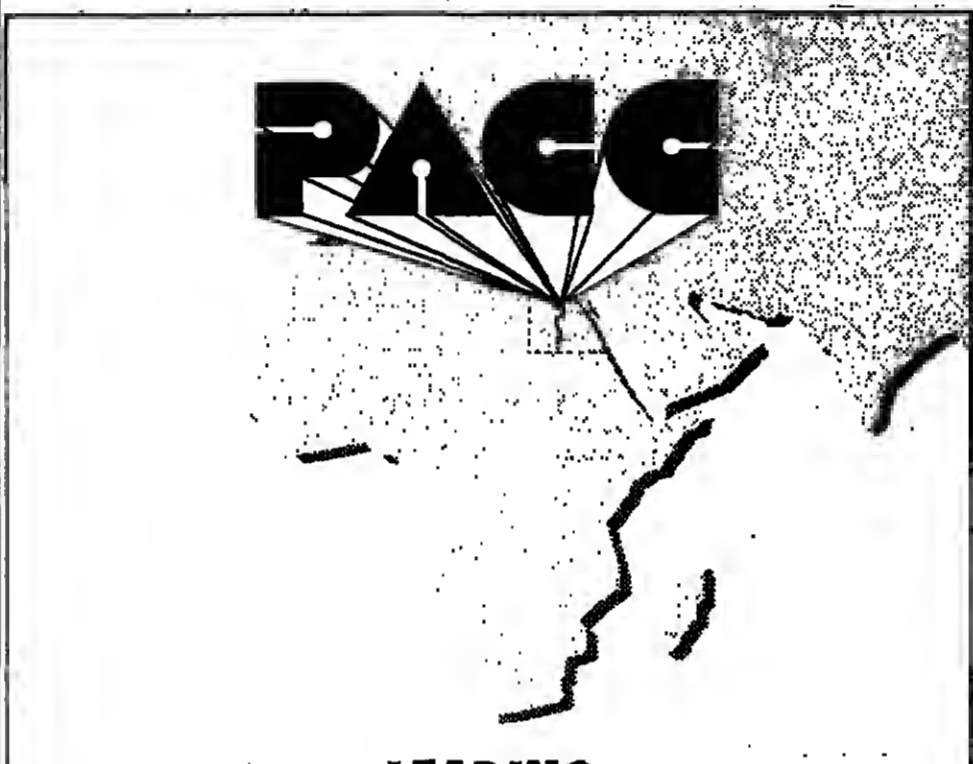
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The Nile Bank is the only Egyptian bank belonging exclusively to Egyptian individuals. One result of genuine efforts and innovative thinking is the creation of sixteen companies in various sectors of the economy.

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Total Assets	391 827	557 096	656 939	848 763	1104 117	1 032 480
Investment	12 581	17 814	24 899	27 682	34 009	41 213
Total Income	32 247	41 738	53 299	69 208	97 936	125 287
Net Profit after Tax	7 566	12 46	13 642	17 388	20 957	15 627

THE NILE BANK GROUP OF COMPANIES

The Nile Company for Agricultural Industries (AGA) Tel.: H.O. 773789	The Nile Company for Metal Industries (SAMY) Sixth of October City Tel.: H.O. Cairo 3461746	The Nile Company for Agriculture and Food Industries (NOUBARIA) Tel.: H.O. Cairo 761469	Modern Arab Company for Timber Industries (MATIN) Tel.: H.O. Cairo 3497382
The Nile Company for Printing and Packaging Tenth of Ramadan City Tel.: H.O. Cairo 755696	The Nile Company for Fodders and Poultry Western Nubaria Tel.: H.O. Cairo 768263	Mansoura Poultry Company Tel.: H.O. Cairo (050) 321126	Cairo Radiology Centre Tel.: H.O. Cairo 704269
The Nile Company for Manufacturing Building Materials Tel.: H.O. Cairo 770801	The Nile Company for Reconstruction Tel.: H.O. Cairo 767376	The Nile Tours Company Tel.: H.O. Cairo 769201	The Nile Company for Projects and Trade Tel.: H.O. Cairo 762415
The Nile Co. for Marketing Tel.: H.O. Cairo 757012	The Nile Co. for Chemical Industries and Modern Packaging Tel.: H.O. Cairo 764345	The Nile Company for Investment and Development Tel.: H.O. Cairo 753640	The Nile Storage and Crop Preparation Company
The Nile Company for Exchange Tel.: H.O. Cairo 761215			

Catering to Small Investors

As the government begins to dismantle the public sector in earnest, bankers, investors and financial advisors in Egypt are eagerly awaiting the passage of a new law to encourage the growth of the country's capital markets.

Without such reforms, the privatization program could be delayed, they say, and small investors in particular will fail to reap the promised benefits.

To date, progress on the public sector sell-offs has outpaced that of capital market modernization. In January, the first list of state-owned firms to be opened to private funds was published by the Cairo daily, Al-Ahram. These included 24 companies producing chemicals, fertilizers, paper, textiles, processed food, cement, ceramics and household goods, as well as others in the services sector dealing in shipping, real estate, tourism and agriculture.

Since then, Prime Minister Ataf Sedki has announced the names of new boards of directors appointed to run the large public-sector conglomerates as holding companies under the new enterprise sector law passed last year.

More recently, international consultants and accountants have been invited to help the government evaluate the assets of targeted state-owned firms and to advise on how they can be privatized.

While some of these companies will be sold to specific investors, local

400 state firms are to be sold.

and foreign observers believe that a full-scale privatization scheme, as demanded by Egypt's aid donors, can only succeed if there are major modifications to the stock exchanges in Cairo and Alexandria.

With some 400 state firms on the privatization list, and estimates that some \$45 billion worth of

state assets will be sold, the need for capital markets reform is urgent, bankers maintain. The capital markets are under study, reports Mohamed Medbouly, board member of the state-owned National Bank of Egypt.

More limited attempts to privatize units owned by regional authorities in the country have also run into difficulties, according to local bankers, because of the inability of the exchanges to handle the volumes of trading that would be involved.

Other changes are needed to unify taxation rates, for securities, the bankers say, and to remove existing restrictions on the level of yields allowed for certain financial instruments, such as commercial paper and corporate bonds.

Planning Minister Kamal Ahmed el-Ganzouri, has cited some of these bottlenecks as reasons for the slow pace in reorganizing the public sector. Measures to ensure full disclosure of all relevant information were also needed, he added.

Late last year, the prime minister promised that vigorous action to stimulate capital market activity would be taken in the following few months.

Speaking to the People's Assembly on December 30, Mr. Sedki outlined some of the proposals. These would include setting up a structure to allow intermediaries and brokers to participate in the sale and purchase of shares, the introduction of computerized trading on the Cairo and Alexandria exchanges, and measures to allow bearer shares to be issued as part of plans to promote the growth of secondary trading.

For the country's investment banks and financial institutions, such reforms cannot come soon enough. The repatriation of huge sums of hard currency by Egyptian workers who formerly worked in Iraq and in the Gulf states has created liquidity that could be funneled to promote new private industries. But with transactions on local stock exchanges totaling less than \$200 million in 1990 (the last year for which figures are available), much remains to be done if these sums are to be harnessed efficiently.

P.A.S.

Stronger

Banking sector after a year of considerable changes in their business.

MIBank still registered an increase of 22 percent in 1991 to 42.2 million pounds. Assets climbed 20 percent to 6.2 billion pounds, largely because of a 46 percent rise in deposits. The shareholders of MIBank, one of Egypt's joint venture banks, include the National Bank of Egypt.

As Egypt begins discussing the large state sector, the financial sector is starting to gear up for a new banking legislation under study and the central bank is expected to have new powers to regulate and control banks.

Measures being discussed include allowing the central bank to order banks to raise new capital through public subscription, to set limits on the amount that can be lent to a single customer and to appoint directors of banks. Banks will be required to have a minimum capital of 100 million pounds, and foreign banks will be allowed to have representatives in the country, subject to certain restrictions. The central bank will ensure that no bank will be allowed to operate in a non-profitable manner.

Pamela Ann Smith



Essential for development: a management training course at Sedico, in the Sixth of October city.

Training Is the Key to Development

Education and training are critical to Egypt's bid for development. The lack of skilled labor, particularly secretarial, is already hampering the expansion of some small and medium-sized businesses.

In the absence of an effective national training system, it is natural that companies, industries, guilds and even ministries have established their own training schemes. The new cities, for instance, have set up training institutes in response to the needs of their resident companies.

Tenth of Ramadan new city has a scheme run by the head of the city's Investors' Association, Mohammed Khamsi, who operates a highly successful carpet factory. The center guarantees jobs for graduates. Sixth of October new city has a similar scheme.

This grass-root response to the shortage of skilled labor is clearly encouraging, and training is geared to the specific skills required by the industries, rather than dictated by academics sitting in government offices. If Egypt is to achieve the mobility of skilled labor it needs for sustained development, however, these schemes must be harnessed, their scope broadened and standards set and monitored so that workers can obtain certificates that have value in the marketplace.

The undersecretary of education, Mohamed Hadari, does not pull his punches. The problems with training start with the lack of the most basic information about the labor market, he says. There is equally a lack of information about the structure of the labor force and the future needs

of the market; the Ministry of Manpower Training does not have the figures.

The dearth of statistics extends to technical training. Another disadvantage is the plethora of different training institutes. The Ministry of Education has its own technical, ag-



gricultural and commercial schools. The Ministries of Industry, Electricity, Telecommunications and Manpower Training have training schemes, in addition to those operated by large companies and organizations. The Helwan Steelworks has its own training school, for instance, and so does the textiles industry.

There is little cooperation, let alone coordination, between these institutions and agencies. Mr. Hadari wants, as a first step, legislation to establish a technical training budget funder (including training) to 4.3 billion Egyptian pounds (\$404 million) a year.

information, the rationalization of different agencies, the proper coordination of courses and the setting of standards.

Under a recently signed agreement, Germany will help Egypt set up a training standards system. The intention is to introduce Germany's much-lauded dual system of training, with practical training in factories being added to theoretical training in schools.

The Germans are also cooperating in drawing up the specifications on standards for technical training. In addition, Egypt has a number of training agreements with Britain.

The challenges of training start further up the pipeline with education. There are some 12 million students enrolled in Egypt's primary, intermediate and secondary schools up to the age of 14 — compulsory schooling has been reduced from nine to eight years in an effort to conserve resources. Only 2 million proceed to secondary education. As a developing country with a population problem, Egypt has lacked the resources to finance an effective education system, and funding will remain a problem. The five-year plan that starts in July envisages a near doubling of the education investment budget (including training) to 4.3 billion Egyptian pounds (\$404 million) a year.

The Real Tragedy of Subsidies

Tarek Heggy, chairman of Shell Egypt and a leading expert on economics, speaks out strongly on a subject of intense interest to Egyptians.

The real tragedy of subsidies can be attributed to the conflicting views adopted by the various parties engaged in the debate over the merits and failings of the system as applied in Egypt.

One group, whose members ascribe themselves to the "right," is calling for the removal of subsidies, which amounted to more than 10 billion Egyptian pounds (\$3.1 billion) in 1989. That was exactly the size of the Egyptian budget deficit.

A second group, made up of the remnants of the Nasserite movement and the standard-bearers of socialism and communism, regards subsidies as an inalienable right of the classes living in grinding poverty that is the result of the deteriorating economy, social injustice and class chaos now prevailing in Egypt.

The third group, made up of an eclectic mix of public figures and opinion leaders who adopt a "Machiavellian" attitude, believes that as long as subsidies continue to be applied in Egypt, no destabilizing effect on the Egyptian street may be expected, irrespective of how tragic the Egyptian economy is likely to be in the future.

The tyranny that marked the recent past in Egypt has affected the attitudes of the present political parties. Those who used to belong to the fascist party Young Egypt, Mr. El-Fattah, now act together with the leftists to defend the subsidies policy, despite their well-known differences on all other issues. A liberal party like the Wafd illogically castigates the government whenever it tries to cut down subsidies.

These parties should liberate themselves from the conventional political dogmas and ask themselves: Do subsidies still go to those citizens who fail to cope with prices?

Subsidies were introduced in Egypt in the 1960s when the state was responsible for determining

both wages and prices, ignoring the law of supply and demand. Eventually, the cost of financing subsidies spiraled out of control to eat away at the funds of Egypt. Nothing was spared.

It is obvious now that the enormous funds sunk into maintaining a subsidies program could have been invested in projects yielding a high rate of return for the country and consequently for its citizens. Huge amounts of capital were channeled



Tarek Heggy, chairman of Shell Egypt.

into subsidies rather than into setting up new projects for the rising generations. As a result, social chaos and class turmoil are believed to be in the offing.

One of the most insatiable pockets for subsidies in the meager financial resources of a poor country like Egypt are public-sector units, which are either operating at a loss or, at best, realizing a narrow margin of profit that is totally incommensurate with the capital invested in them.

This prodigal outflow of capital affects the Egyptian citizen, who is deprived of the normal profits expected from any project, which should be used either to promote public services and utilities or to set

up productive investment projects that can provide jobs for the millions of unemployed young graduates.

Advocates of political liberalism and a free-market economy maintain that it is only by abandoning its subsidies policy that Egypt can hope to climb out of the long economic slump that has made it one of the poorest nations in the world. It is risky, however, to remove subsidies in one fell swoop.

In order to get over economic stagnation, subsidies in Egypt should be phased out according to a comprehensive plan that provides for the allocation of the funds thus released to productive areas of investment that will generate high profits and create new job opportunities.

For many years, the official media launched a successful campaign to convince millions of Egyptians that they have a right to receive government assistance in the form of subsidies. This belief is firmly entrenched in the public consciousness. It is now high time for these same media to explain to the man in the street that the real beneficiaries of subsidies are the moneyed classes (the new upper class), while the poor derive absolutely no benefits from them.

Confidence in the government has been steadily eroded by years of broken promises on government spending. Although Egyptians are renowned for their stoicism and tolerance, their patience is stretched to the breaking point by the obvious discrepancy between the government's words and its deeds.

Any plan that is designed now must be carried out in full view of the people, the press and the whole world to reassure them that funds diverted from subsidies are allocated immediately to productive investment projects. Otherwise, it will be impossible to win public opinion over to the merits of such a move.

Investors

Handle the public sector in financial advisors in Egypt

will be still capital par- urgent. "The are under Mohamed member owned Ne- attacks own have also in according because the vol- stating that need. are need- tion runs the banks- emone ed- on the level- for per- instruments- commercial paper bonds. Minister Ka- of-Garneau some of these re- sions for reorgan- sector Mes- full dis- relevant were also- the prime- that- to stim- activity in the fol- words. the People's- outlined- include set- ure to allow- and ho- participate in the- purchase of- of- on- Alexandria- measures- plans- growth of- ing. - invest- financial- enough- of huge- by- no top- and- has cre- could be- new- local- million in- are an- to be- P.A.S.

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Incentives for Oil Exploration

Cairo's oil men are going global as they seek to attract more bids for what they say are likely to be lucrative new concessionary areas in the Red Sea and Western Desert.

In the last few weeks, some of Egypt's oil experts, headed by the new minister of petroleum and mineral resources, Hamdi Aly El Banbi, have been to Europe and the United States trying to woo industry leaders with new oil exploration incentive packages.

At present, Egypt is producing about 890,000 barrels of oil a day and 1.2 billion cubic feet of gas a day. There are an estimated 6 billion barrels of proven recoverable oil and gas reserves. Some oil is going for export to earn much-needed hard currency (the Gulf crisis helped it earn \$1.5 billion in the year ending June 1991), but the present strategy, according to Mr. El Banbi, is to concentrate on fulfilling domestic demand for refined petroleum products and natural gas as a fuel source. He estimates that domestic demand for refined products is unlikely to exceed 450,000 barrels a day by the year 2000. "We hope to make new

discoveries each year that will amount to 1.2 million barrels a day of oil/gas equivalent," says Mr. El Banbi. He estimates that because of various fuel conservation measures and the likely benefits from greater hydroelectric power, domestic oil demand will probably show an annual increase of around 5 percent by the end of the century.

"We are not planning to export more than 450,000 barrels a day, including the share from foreign operating companies, some of whom send their share directly to their own refineries," adds Mr. El Banbi. "We are under pressure to produce more, not export more, oil."

There are about 50 foreign companies investing in Egypt, 19 of which are operating at the moment. According to one company representative, the present general low level of world oil prices means it would not be unusual for some companies with mar-

ginal operations to cease their activities.

Major new discoveries of oil have been slow in coming, but production costs are relatively low, particularly in the Western Desert, where Egypt is pinning much of its hopes for the future. Eight new fields came into production last year, including three in the Western Desert.

"I think the Western Desert will continue to surprise us with small volumes of oil and much more gas," says Tarek Heggy, chairman of Shell Egypt. But there could be a problem with major gas finds as they would have to be piped into the Delta grid to supply industrial developments as either an energy source or primary feedstock for the petrochemical sector, which might be costly. Mr. Heggy points out that gas needs heavy front-end investment and companies that are prepared to tie



Hamdi Aly El Banbi, minister of petroleum and mineral resources — seeking new discoveries.

themselves down with guaranteed long-term gas flows. "At the moment we have only one buyer here, the government," he says. The man with the day-

to-day task of selling Egypt's oil prospects to the world is Wafik M. Meshref, vice chairman in charge of agreements and a board member of the Egyptian General Petroleum Corp. Three major concessionary areas are being offered. Bids for two of them, the Gulf of Suez and the Western Desert, close at the end of July; those for the third area, the Red Sea, must be in by the end of September.

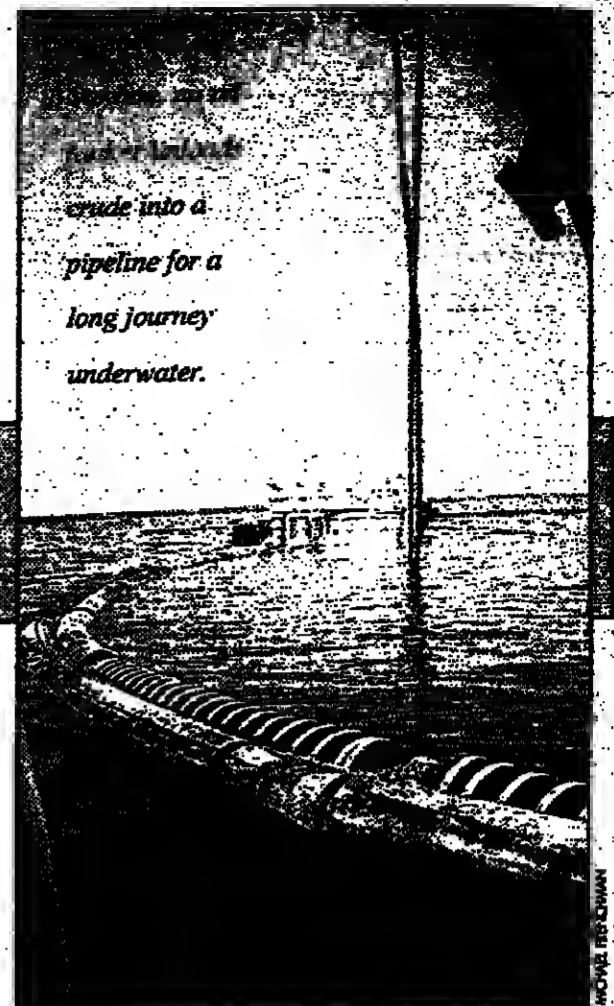
Dr. Meshref is also offering larger areas for the individual exploration permits than has been done in the past. In the Gulf of Suez the blocks are no longer restricted to 25 square kilometers. In the Western Desert the new

blocks are up to 50,000 square kilometers.

Companies are also being offered what industry sources claim is unusually low-priced oil data packages for the bid areas; they cost between \$20,000 and \$30,000. Companies sometimes buy the data kits to help decide whether it is worth putting in bids.

By April, about half a dozen datakits had been sold; 12 bids had been received for the Western Desert concessions and six for the Gulf of Suez. Dr. Meshref says that when the bids are completed the oil companies will be investing about \$600 million of new money in Egypt's oil exploration program.

Michael Frenchman



Crude is piped into a long journey underwater.

Underwater Route for Oil

A bright yellow buoy offshore from the Samed terminal at Ain Sukhna is part of an underwater pipeline project carrying some 1.9 million tons of oil a day to the Mediterranean. It is called a single-point mooring system, or SPM. There are three at Ain Sukhna feeding crude from tankers into twin 42-inch pipelines stretching 320 kilometers to Samed's other terminal at Sidi Kharir on the Mediterranean.

Almost half of Europe's total oil demand from Saudi Arabia is pumped through Egypt, with increasing amounts coming from Iran. Samed is jointly owned by Egypt, Saudi Arabia, Kuwait, Qatar and the UAE. M.L.F.

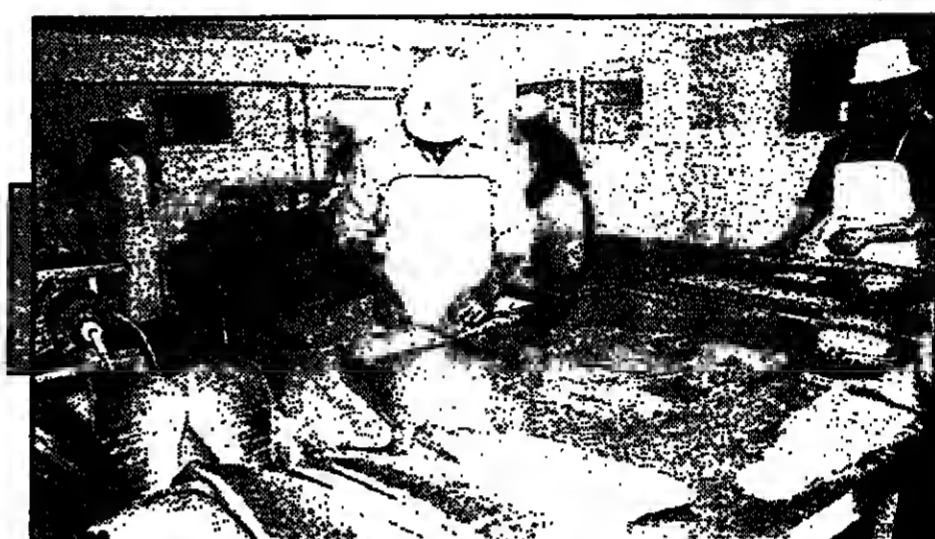
Business Briefs

• The International Company for Marble & Granite, founded by Ahmed Eissa, aims to relocate its marble treatment facilities, currently in Baseteen, to its Sixth of October plant, where its granite cutting and polishing operations are already based. The company is producing 120,000 square meters of granite a year, around 50 percent of which is exported, principally to the Gulf area. Orders have also been received from the Far East, New York, Los Angeles and France.

• South Egypt Drug Industries (Sedico) expects to be in full production in 1993, three years after startup, says its chairman, Ahmed Aly Aboul-Enen. Sales are expected to exceed 100 million Egyptian pounds (\$31 million), compared with 50 million pounds this year. The

company is raising the number of product lines, which range from pharmaceuticals to nutrition products and cosmetics, from an initial 35 to 200, half of which will be fully integrated manufacture, as opposed to fabrication. Only 25 percent of turnover will be from production under license. Although the private sector now accounts for over 50 percent of the 2 billion pound local drugs industry, Sedico has set its sights on exports to Kuwait, Yemen, Libya and Saudi Arabia.

• Bavaria Egypt, the fire extinguisher manufacturer, intends to expand its export base. It recently opened a branch in Kuwait and has been exhibiting at commercial stands in Arab trade fairs. It has been actively prospecting markets and looking for agents or partners able to



The smoked salmon of Egypt being prepared for the luxury food trade.

provide the quality distribution network and after-sales service that is the company's hallmark. It is also hoping to expand sales in Africa. The company, which has 70 percent to 75 percent of the local market for fire fighting equipment, recently opened its eighth branch in Egypt at Borg el Arab.

• Bentley's Egypt now ships its smoked salmon to Switzerland and Saudi Arabia, but its main market is wealthy Egyptians. Tourist hotels and airlines operating out of Cairo are its other main sources of business. Bentley's Egypt markets a range of smoked fish and shrimps and recently added quail to its selection.

• Pan Arab Computer Center is looking to the government sector, which accounts for around a third of its business, to tide it over the recession. PACC, the agent for Macintosh Apple and Egypt's premier software and applications specialist, is concentrating on its core business of building local companies' network capacities and making their interfaces more user-friendly, particularly in Arabic. PACC has made a major contribution to the

Arabization of Apple's software. PACC also provides marketing strategies and solutions for localizing and sees a market for replacement technology once the recession eases. It is also trying to bridge the gap between universities and the private sector by organizing schemes to recruit and train computer staff for companies.

• Orascom, a trading and construction group, is part of a consortium headed by Dragados y Construcciones of Spain bidding for Cairo's second subway line. It is opposed by a French consortium that built the first line. The contract is due to be awarded in the third quarter of 1992. The scheme, which involves building a 5.5 kilometer tunnel linking the northern suburb of Shmra el-Kheima with the city center, will cost

well over \$1 billion, 25 percent of which will be in local currency, and take five years to complete. The Dragados bid will be financed wholly by commercial loans, according to Orascom's Nassef Sawiris. The company is confident that the Ministry of Transport can manage the financing and payments, given its track record in completing other major projects. "Coming up with \$100 million a year is not unreasonable," says Mr. Sawiris. The economic benefit of the scheme cannot be measured wholly in financial terms, he says. The first subway line, which transports nearly 1 million passengers daily across Cairo, has been an exceptional success. Having just completed an 18-month assignment to lay the remaining 240 kilometers of double track between Cairo and Luxor, Orascom is now renewing the old track. This should be completed by June.

• Mantrac, general traders and the Caterpillar, General Motors and Ingersoll Rand agent, is bucking the recession thanks to a buoyant market for engines. Profits for 1991 were up in dollar terms, and business in 1992 is going better than last year, says Mantrac's chairman, Mohamed Mansour. "If you have the right product and the right backup and you have invested, maybe the overall market is coming down, but you are in a position to increase market share," he says.

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Egypt Shows It Has the Power To Bring Back the Tourists

Egypt is rapidly regaining its popularity as a tourist destination now that it has overcome the negative effects of the Gulf War.

The latest indicators confirmed hopes that tourism in Egypt would resume its phenomenal growth, hitting new records in 1992: 3 million tourists are expected to visit Egypt this year, possibly rising to more than 4 million next year and over 5 million in 1994.

The breakthrough was achieved in February with a new record for the number of tourists visiting Egypt in one month. The figure of 233,665 tourist arrivals in February represented a 307 percent increase over the same month last year, when the Allies were launching a raid on Iraq.

More important as an indicator of recovery is the fact that February's figure represents a 13 percent rise over the same month in 1990, which was Egypt's fourth consecutive good year for tourism before the onset of the Gulf crisis in August 1991.

The re-emergence of positive indicators has boosted the morale of Egyptian tourism professionals, while the speed of the recovery confirmed confidence about the industry's high level of development.

The Egyptian Tourist Authority had cooperated

with travel agents to control the effects of the war and put together a plan for recovery.

Recalling the first day on which a committee formed for that purpose met in January 1991, the chairman of the authority, Sayed Moussa, says, "We were supposed to prepare a plan of action

on the day the war broke out, and we had a problem setting the date to start."

Describing the committee's task as an exercise in crisis management, Mr. Moussa adds, "We went ahead with our work, knowing that every war ends. And this was no exception."

While tourism in other Mediterranean and Middle Eastern countries also suffered the consequences of the fighting, the impact on Egypt was particularly strong. But because the Gulf crisis was in many ways comparable to a series of political events outside Egypt that marred the 1985-86 season, Egyptian tourism promoters were prepared by their experience.

While they realized it would have been hard to convince holidaymakers that the area was safe in the immediate aftermath of the war, they proceeded

with coordinated efforts to distance Egypt from the troubled region and to build on the positive image it had developed during the crisis and war.

The first charter flight from Europe flew in one month after the liberation of Kuwait, although many Westerners remained reluctant to come. Meanwhile, Arab holidaymakers, especially Libyans, Saudis and Kuwaitis, enjoyed their summer holidays in Egypt at bargain rates, and business travel resumed.

Signs of recovery began to emerge at the start of the season in October and continued in November. The number of Westerners coming to spend their Christmas and New Year holidays in Egypt amounted

to about three-quarters of those in 1989-90.

Mr. Moussa believes the industry is going through a period of convalescence in preparation for more rapid growth in 1993 and '94.

He believes that three factors will provide the impetus for the emerging positive trend. First, an intensive promotional effort is being carried out by the Egyptian Tourist Authority in conjunction with private-sector representatives, targeting new markets and seeking to attract nontraditional tourists. The second factor, he says, is the improved arrangements with Europe on airline traffic rights, which remove constraints on the number of flights between Egypt and Europe. The third factor is the exposure Egypt will



The lure of the ancient: tourists crowd the entrance to Cairo's Egyptian Museum (above), and a statue of Amenhotep III in the Luxor Museum.



February breaks arrivals record

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Cairo Boosts Cultural Status

Paris has the Louvre, London has the British Museum and Cairo is soon to have a world-class museum that will add to its claim to be the cosmopolitan center of culture and entertainment in the Middle East and Africa.

The new museum is to be located on the outskirts of ancient Memphis, Pharaonic Egypt's first capital, close to other reminders of ancient Egypt's civilization: the Pyramids and the Sphinx.

The 200-acre area south of Cairo is to provide the space in which monuments of gods, god-kings and others dating back to the third millennium B.C. are to receive the exposure worthy of their historical

value. Expected to house 160,000 pieces, representing a period extending from the Old Kingdom to the beginning of the Roman period, the new museum has yet to be designed by Italian experts. It is to consist of galleries as well as open-air exhibition spaces and is expected to cover themes such as medicine and architecture in ancient Egypt. It will provide appropriate space for treasures such as Tutankhamen's gold mask and funerary accessories, currently crammed into one room in the Egyptian Museum.

Egypt's history over various periods will be the theme of the Museum of Civilization, which is being completed in the cultural complex at Ghezira in the center of Cairo. The complex includes the recently opened Museum of Modern Art.

Another unique cultural attraction in this part of the world, the Opera House, which was built with Japanese assistance, is the modern successor to the Cairo Opera, which was razed to the ground by a fire. Built by Khedive Ismail more than 100 years ago, the old opera was opened by Verdi's "Aida," which was especially commissioned by the Khedive for celebrations marking the opening of the Suez Canal.

The city itself is improving, with restored buildings, cleaner streets and more orderly traffic.

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NYSE

Friday's Closing

Prices are nationwide prices up to 4:00 p.m. Eastern time. See and do not reflect the prices of the New York Stock Exchange. The Associated Press

Symbol	Price	Change
IBM	115.25	+0.25
MSFT	45.75	+0.25
ORCL	38.50	+0.25
INTL	10.25	+0.05
DISC	25.50	+0.25
WMT	35.25	+0.25
AMZN	18.75	+0.25
GOOG	28.50	+0.25
APPL	32.25	+0.25
MSFT	45.75	+0.25
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AMZN	18.75	+0.25
GOOG	28.50	+0.25
APPL	32.25	+0.25

NYSE High-Lows

Symbol	High	Low
IBM	115.25	114.75
MSFT	45.75	45.25
ORCL	38.50	38.00
INTL	10.25	10.00
DISC	25.50	25.00
WMT	35.25	34.75
AMZN	18.75	18.25
GOOG	28.50	28.00
APPL	32.25	31.75

AMEX High-Lows

Symbol	High	Low
IBM	115.25	114.75
MSFT	45.75	45.25
ORCL	38.50	38.00
INTL	10.25	10.00
DISC	25.50	25.00
WMT	35.25	34.75
AMZN	18.75	18.25
GOOG	28.50	28.00
APPL	32.25	31.75

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OPEC Deal Stands to Underpin Prices

Compiled by Our Staff From Dispatches VIENNA — OPEC oil ministers agreed on Friday to freeze most members' crude output...

U.K. Deals Blow To Lloyds Bid For Midland

Compiled by Our Staff From Dispatches LONDON — The British government on Friday called for a monopoly inquiry into Lloyds Bank PLC's proposed bid for Midland Bank PLC...

ECONOMIC SCENE

Lawns and Dinner Tables Hold Homely Indicators

By Don Oldenburg Washington Post Service WASHINGTON — Government economists, who gauge their monthly forecasts on charts, graphs, statistics and economic indicators, in recent months have stimulated Americans' desire for better days with modestly upbeat analyses.

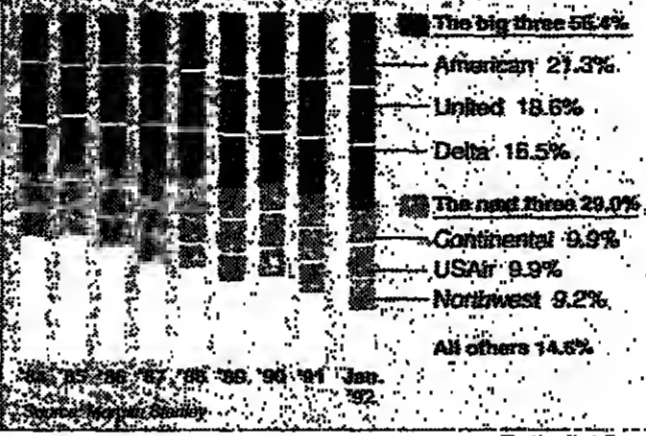
When weeds and macaroni-and-cheese abound, recession is still around.

What do these statistics mean to everyday life? Using such economic indicators as dinner table, lawn care and home improvement statistics, economists tell us the recession is over, even if the economy has not conspicuously revived yet.

Big Airlines Needn't Be Bad, Experts Say

By Peter Passell New York Times Service NEW YORK — The bloodiest battle for mastery of the skies may be at hand.

U.S. Airlines Market Share



Many industry observers say the steep cut in fares that American Airlines initiated last month could hurt three competitors operating under the protection of the bankruptcy courts: Trans World Airlines, Continental Airlines and America West. And the cuts could mortally wound two others, US Air and Northwest Airlines.

But most important, they are cautiously optimistic that the spectacular progress in reducing the fare and providing for more frequent service — improvements that airline deregulation has brought consumers — will not be lost in the consolidation.

Some Americans habitually pick up coins from the ground. A larger percentage pass by pennies but do not mind squatting in public for a nickel or more. Okay, so everybody has his price, and during recessionary times people's prices tend to drop.

A casual survey conducted on Washington and suburban sidewalks discovered a small yet seemingly significant increase in the daily average number of coins left unwanted over the past 10 months.

When grocery money gets tight, Americans eat more macaroni-and-cheese. While economists argue the merits of such a statement, Kraft — the best-known maker of packaged macaroni-and-cheese — has watched its sales and market share for the high-carb product increase in the past two years.

Censory inspection of your neighbors' lawns is likely to turn up a frightening spread of weeds — in numbers and exotic varieties. The weeds that in previous years, the onslaught of lawn-defoliating weeds was more often hampered by herbicide applications or more benign methods.

See SIGNS, Page 19

Skoda Seeking 1 Billion DM Through World Bank's IFC

PRAGUE — Skoda Automobily Koncern, the Czechoslovak carmaker that is partly owned by Volkswagen AG, is trying to arrange a 1 billion Deutsche mark (\$625 million) financing through the International Finance Corp., a company executive said Friday.

What Kazakhs Taught a Korean Would Make Lenin Smile

By Michael Dobbs Washington Post Service ALMA-ATA, Kazakhstan — Min Bon Sik, a fast-food maverick from South Korea, arrived in Soviet Central Asia last year determined to spread the gospel of capitalism. He spoke in glowing terms of saturating the local market with Korean television sets and refrigerators, videocassette recorders and compact cars.

Ata, it is still practically impossible to buy any of his television sets through official retailers. On the black market, the sets are freely available — at twice the official price. And Mr. Min has temporarily returned to Korea to ponder his next move.

Everybody else, we expect to be paid in the finished product — in this case, television sets. Production ground to a standstill as people began arguing over how the sets should be distributed. Everyone in Alma-Ata, from trade union officials to the local police chief, seemed to think they had a right to a certain number.

CURRENCY RATES

Table with columns for Country, Currency, and Rate. Includes entries for Germany, France, Japan, etc.

Other Dollar Values

Table with columns for Country, Unit, and Value. Includes entries for Argentina, Brazil, Canada, etc.

Forward Rates

Table with columns for Currency, Period, and Forward Rate. Includes entries for 30-day, 90-day, 180-day.

INTEREST RATES

Table with columns for Instrument, Rate, and Maturity. Includes entries for 1-month, 3-month, 6-month.

Key Money Rates

Table with columns for Instrument, Rate, and Maturity. Includes entries for 30-day, 90-day, 180-day.

Fed's Steady Stance Prompts Concerns

By John M. Berry Washington Post Service WASHINGTON — White House officials, analysts and economists are at odds over whether the Federal Reserve's apparent decision not to cut short-term interest rates further anytime soon was the right move.

Mortgage Bankers Association of America and a former Fed board member, was among those questioning the Fed's decision.

Some of the problems hampering the recovery may not be helped by lower short-term rates.

U.S. Money Market Funds

Table with columns for Fund Name and Assets. Includes entries like Merrill Lynch Bond Assets.

Asian Dollar Deposits

Table with columns for Instrument, Rate, and Maturity. Includes entries for 1-month, 3-month, 6-month.

GOLD

Table with columns for Instrument, Price, and Maturity. Includes entries for Home Gold, Luxembourg.

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MARKET DIARY

Rise in Oil Shares Pulls Up Blue Chips

NEW YORK — U.S. stocks rose Friday in light trading, buoyed by gains in the government bond market and by an OPEC agreement that pumped up the stock prices of oil companies.

The Dow Jones industrial average advanced 8.06 points, to 3,386.77.

N.Y. Stocks

with Chevron, Exxon and Texaco accounting for much of the rise. Oil stocks rallied after the Organization of Petroleum Exporting Countries decided to leave third-quarter oil production at about 25.5 million barrels a day.

Advancing common stocks outnumbered declining issues by about a 4-to-3 margin on the New York Stock Exchange. Trading was the third highest this year, with about 148.8 million shares changing hands, down from 182.9 million on Thursday. Many traders were absent ahead of the three-day Memorial Day weekend.

"Maybe it's better for the stock market if the Fed doesn't lower interest rates," said Hugh Johnson, investment strategist at First Albany Corp. "It's definitely good news for the bond market."

Thursday, stock prices floundered after a news report said the Fed had no immediate plans to cut rates. Many people had expected the Fed to lower rates, so stocks declined and Treasury bond yields rose.

Friday, the opposite occurred. Stocks rose and bond yields declined on the realization that the Fed is being astute, Mr. Johnson said. "By taking no action, the Fed is showing its commitment to making sure inflation doesn't rise," he said. The yield on the 30-year bond closed at 7.82 percent, down 4 basis points on the day.

"Today was a day for the oils," said Robert Robbins, market strategist at Robinson-Humphrey. "The OPEC accord is a big positive because it puts a floor under crude prices."

Chevron rose 1 1/4 to 69. Mobil gained 1/4 to 63 1/2. Royal Dutch Petroleum increased 1 1/2 to 84 1/2 and Atlantic Richfield rose 1/4 to 111 1/4. Federated Stores rose 1/4 to 12 1/2, or 51 above the company's sale price for 40 million shares of common stock. Federated was recommended for purchase by an analyst at Salomon, who cited the company's strong base of department stores and ability to reduce debt.

Dollar Fails to Hold Gains Against the Mark

NEW YORK — The dollar ended mixed Friday against other major currencies, unable to hold onto early gains against the Deutsche mark.

"There's general disappointment that the dollar did not manage to carry through on the top side," said a trader.

The dollar rose early in the session after better-than-expected German inflation data lessened the prospects of a Bundesbank rate increase.

The M-3 measure of the German money supply grew an annualized 8.8 percent in April from the fourth quarter of 1991, down from 9.4 percent in March and below forecasts of 9 to 11 percent growth.

Many traders said the data greatly reduced the chances of a rise in the German Lombard rate, now at 9.75 percent, while some said talk about the timing of a credit easing had surfaced again.

The data helped the dollar rise against the mark in London, climbing as high as 1.6242 DM. But traders noted that the currency hit resistance at 1.6250 DM and fell back. The dollar closed in New York at 1.6155 DM, down slightly from 1.6168 DM on Thursday.

The U.S. currency also stood at 128.25 yen, down from 130.00 yen, and at 1.4860 Swiss francs, up from 1.4848 francs. Against the French currency, it fell to 5.4325 francs from 5.4335 francs.

The British pound slipped to \$1.8155 from \$1.8160.

British and U.S. markets will be closed Monday for holidays, and many players moved to square their books and limit their exposure to any sudden events over the weekend, analysts said. Trading was light and dominated by technical factors.

Analysts said the dollar will continue to be weighed down by the 6 percentage point spread of German interest rates above U.S. rates. The chances of this premium narrowing during the next few months is slim, they said.

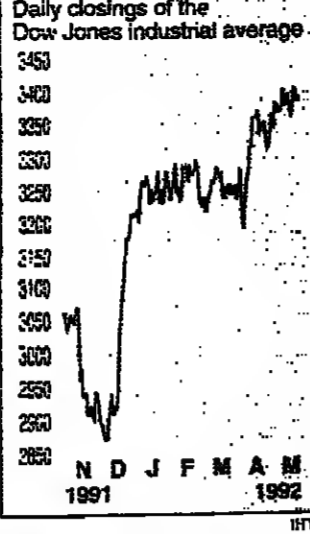
German M-3 growth still exceeds the Bundesbank's target range, while credit growth remains robust. Meanwhile, the U.S. economy shows little sign of expanding rapidly, economists said.

"Until we get definite signs that a sustainable U.S. economic recovery is under way," the dollar is unlikely to sprout ahead, said Alan Blance, economist at Nikko Securities (Europe).

In London earlier, the dollar was mostly higher. It traded at 1.6180 DM, up from 1.6165 DM on Thursday, but fell to 1.2940 yen from 130.20 yen, down from 130.00 yen.

The Dow

Daily closings of the Dow Jones industrial average



NYSE Most Actives

Table with columns: Vol., High, Low, Last, Chg. Lists top trading stocks like Ford, GM, and IBM.

AMEX Most Actives

Table with columns: Vol., High, Low, Last, Chg. Lists top trading stocks on the AMEX.

NYSE Diary

Table with columns: Advance, Decline, Unchanged, Total Issues, New Issues, New Lows.

Amex Diary

Table with columns: Advance, Decline, Unchanged, Total Issues, New Issues, New Lows.

NASDAQ Diary

Table with columns: Advance, Decline, Unchanged, Total Issues, New Issues, New Lows.

Dow Jones Averages

Open High Low Last Chg.

Table with columns: Open, High, Low, Last, Chg. for various indices like S&P 500, NYSE, etc.

Standard & Poor's Indexes

Table with columns: High, Low, Close, Chg. for various industry indices.

NYSE Indexes

Table with columns: High, Low, Close, Chg. for various NYSE industry indices.

NASDAQ Indexes

Table with columns: High, Low, Close, Chg. for various NASDAQ industry indices.

AMEX Stock Index

Table with columns: High, Low, Close, Chg. for the AMEX index.

Dow Jones Bond Averages

Table with columns: Close, Chg. for various bond averages.

Market Sales

Table with columns: NYSE adv. vol., NYSE adv. vol. close, AMEX adv. vol., etc.

N.Y.S.E. Odd-Lot Trading

Table with columns: Buy, Sell, Short for various stocks.

S&P 100 Index Options

Table with columns: Price, Bid, Ask, Vol. for various S&P 100 options.

EUROPEAN FUTURES

Class High Low Prev. Close

Table with columns: Class, High, Low, Prev. Close, Change for various European futures.

Food

Table with columns: SUGAR (F0), COCOA (F0), etc. for food futures.

Industrials

Table with columns: GASOLIN (F0), etc. for industrial futures.

Stock Indexes

Table with columns: FTSE 100 (INDEX), etc. for stock indexes.

Dividends

Table with columns: Company, Dividend, Ex-Dividend Date.

Financial

Table with columns: 3-MONTH STERLING (LIFF), etc. for financial futures.

U.S. FUTURES

Class High Low Prev. Close

Table with columns: WHEAT (C0), SOYBEANS (C0), etc. for U.S. futures.

Grains

Table with columns: WHEAT (C0), SOYBEANS (C0), etc. for grain futures.

Metals

Table with columns: NI GRADE COPPER (COM), etc. for metal futures.

Livestock

Table with columns: CATTLE (CME), etc. for livestock futures.

Food

Table with columns: COFFEE (C0), etc. for food futures.

Stock Indexes

Table with columns: S&P 500 INDEX (CME), etc. for stock indexes.

Commodity Indexes

Table with columns: MARCH 1992 COMMODITY INDEX (CME), etc. for commodity indexes.

Market Guide

Table with columns: CME, COMEX, etc. for market guide.

U.S. / AT THE CLOSE

GM to Discipline Dealer for Fraud

FORT WAYNE, Indiana (Bloomberg) — Robert C. Stempel, chairman of General Motors Corp., told shareholders Friday the automaker intends to discipline employees of its financial subsidiary who may have allowed an auto dealer to defraud the company of about \$436 million.

The GM car dealer, John McNamara, of Fort Jefferson, New York, was arrested on April 15 on charges of defrauding General Motors Acceptance Corp. of \$436 million by pretending to export thousands of vans to the Middle East that supposedly were customized by a company in Indianapolis, which has turned out not to exist. GMAC, which claims it was the "victim of a well orchestrated plan and a well executed fraud," disclosed last month that a \$275 million pretax loss in the fourth quarter of 1991 was related to Mr. McNamara, who is free on \$300 million bail.

Mr. Stempel also told shareholders that his recent structural changes would increase productivity 7 percent to 8 percent a year and allow GM to use 100 percent of the unit's capacity by 1994.

MGM Goes Back to Being Just MGM

CULVER CITY, California (UPI) — The name MGM-Film Communications Co., taken on during the turbulent tenure of former owner Giancarlo Parretti, has been dumped in favor of the original Metro-Goldwyn-Mayer Inc., the studio said Friday.

The MGM name dates back to 1924 when Marcus Loew brought together the Metro film studio, Goldwyn Pictures Corp. and Louis B. Mayer Pictures.

The Metro-Goldwyn-Mayer name was last used by the company in 1980. It subsequently became MGM-UA Communications as a result of acquisition by the studio's owner, Kirk Kerkorian, of some of the assets of United Artists.

Indian Court Orders Carbide Seizure

BHOPAL, India (Reuters) — An Indian court on Friday ordered seizure of a \$2.5 million dividend accrued to the U.S.-based Union Carbide Corp. from its stake in its Indian subsidiary between 1984 and 1991.

The ruling was handed down by Chief Justice Magistrate Gopal Sharma. The multinational company has a 50.9 percent stake in Union Carbide India Ltd., owner of the chemical plant in Bhopal that spewed out poison gas that killed more than 3,800 people in December 1984.

Northwest Brakes East Coast Growth

NEW YORK (AP) — Northwest Airlines, which added flights at Washington National Airport after the demise of Eastern Airlines last year, said Friday that on July 1 it will reduce its number of daily flights in and out of Washington National to 30 from 48. Northwest said it would use the planes to increase service elsewhere, but the pullback from Washington demonstrates that Northwest's efforts to expand on the East Coast did not work.

Court Upholds Micro's Chip Right

SUNNYVALE, California (Bloomberg) — California Superior Court Judge Read Ambler on Friday upheld Advanced Micro Devices Inc.'s rights to manufacture its Am386 microprocessor.

Judge Ambler upheld a Feb. 24 decision by an arbitrator who awarded AMD the rights to the device, which Intel Corp. claimed infringed upon the patents for its 80386 microprocessor. Judge Ambler also sustained the arbitrator's award of \$15 million in damages to AMD. Intel said it would appeal the decision to the state Appellate Court.

For the Record

Johnson & Johnson said it acquired marketing rights in more than 70 countries to the Sarton over-the-counter products line of London-based Imperial Chemical Industries PLC.

Negotiations over a possible merger of Kidder, Peabody & Co. with Smith Barney, Harris Upham & Co. collapsed. Differences over price, as well as structural problems involved in a merger of part or all of the two firms, apparently prevented an agreement.

WORLD STOCK MARKETS

Amex: 1992.50 Prev.: 1992.50

Table with columns: Amsterdam, Brussels, Frankfurt, etc. for world stock markets.

London

Table with columns: Abbey Nat, Allied Lyons, etc. for London stock market.

Stockholm

Table with columns: Alfa, Asea, etc. for Stockholm stock market.

Toronto

Table with columns: Abniti Price, Air Canada, etc. for Toronto stock market.

FARES: Is Big Necessarily Bad?

(Continued from first page) deregulated, through 1986. It has since retreated a bit, but remains as high as it was in 1984.

Why is this? The hub-and-spoke systems that have played a role in dooming less agile carriers have also given most travelers who live outside hub cities the option of making one-stop trips through a choice of hubs.

Take the route between two non-hub cities — where prices do seem out of line.

U.S. FUTURES

Class High Low Prev. Close

Table with columns: WHEAT (C0), SOYBEANS (C0), etc. for U.S. futures.

Grains

Table with columns: WHEAT (C0), SOYBEANS (C0), etc. for grain futures.

Metals

Table with columns: NI GRADE COPPER (COM), etc. for metal futures.

Livestock

Table with columns: CATTLE (CME), etc. for livestock futures.

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Market Guide

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U.S. / AT THE CLOSE

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Market Guide

Table with columns: CME, COMEX, etc. for market guide.

EC Clears Krupp Takeover of Hoesch

Compiled by Our Staff From Dispatches
BRISSEN, Germany—The EC Commission on Friday approved the takeover of Hoesch AG by another German steelmaker, Fried. Krupp AG, and the two companies announced terms for the deal that indicate a value of 13 billion Deutsche marks (\$8.04 billion) for the combined company.

The European Commission's executive body said the merger would not create or strengthen a dominant position in steel, and was therefore acceptable under competition rules of the European Coal and Steel Community Treaty. The joint company would be smaller than four other EC steelmakers, the commission said.

Terms of the deal, a 13-for-10 stock swap with a cash sweetener, indicate a combined company value of 13 billion DM.

German stock markets reacted positively to the news, driving Hoesch shares up 2 DM, to close at 272 DM, in Frankfurt.

German Data Cheer Markets, but No Rate Cut Seen

FRANKFURT—German financial markets jumped on Friday in response to a sharp slowdown in growth in money supply. But both the Bundesbank and the economics minister, Jürgen Mollathmann, said no rapid relaxation of tight monetary policies could be expected.

Stock and bond markets, reacting to lower Bundesbank interest rates on signs that inflationary pressures might be easing, reacted positively.

Bunds futures prices surged to a high of 87.93 from an 87.64 opening and the news helped the 30-share DAX index jump above the 1,800 barrier for the first time in 21 months, closing up 17.48 points, or 1 percent, at 1,820.92.

Still, the Bundesbank warned that M-3 growth remained robust and clearly outside the 3.5 percent to 5.5 percent growth target the central bank has set for this year.

TRADE: Resistance on GATT Despite Breakthrough
(Continued from page 1) President François Mitterrand told reporters in La Rochelle, France, where he is meeting with Chancellor Helmut Kohl, "I absolutely cannot see a date." Mr. Delors is president of the EC Commission.

U.S. officials insist that they are still ready to cut a deal, as long as it can be sold as benefiting American farmers and business interests.

SIGNS: Weedy Lawns, Stray Pets Give Homely Evidence of Hard Times
(Continued from first finance page) Industry reaped increasing profits. Since then, however, no statistics have been kept: "The industry magazine that did the survey went out of business," she says.

Deb Strahmer, manager for public relations for ClearLawn Corp., a weed-killer and lawn-care supplier from 44 states and Canada, says, "Our numbers are off. We've gone down the last couple of years, much of it due to the recession." The company's net sales in 1990: \$382 million. In 1991: \$355 million. "It's really scary," she says.

When life is made challenging by evading bill collectors and juggling checkbooks, many Americans get religion. The head-outlets at Gallup in a poll last month noted a steady upturn in religious behavior and attitudes, a 2 percent leap to faith between 1990 and 1991 in people who said religion was "very important."

Economically strapped Americans sometimes dump the family dog. "Yes, the numbers are up when economic times are hard," a spokeswoman for the American Humane Association, headquartered in Denver, says of abandoned pets.

Typically in hard times, liquor is among the last luxuries to go. In February, a Gallup Poll found that Americans are spending like good consumers.

This is evident in the burgermeister wars that have bloodied the top American fast-food restaurants.

Typically in hard times, liquor is among the last luxuries to go. In February, a Gallup Poll found that Americans are spending like good consumers.

Another old standard is the bar rule: During good financial times, bar patrons more often include both sexes; when times are rough, men more often head to bars by themselves.

The Gallipoll noted that while more Americans are again drinking alcoholic beverages, fewer women are drinking than a decade ago—with 42 percent of them saying they practice "total abstinence."

NYSE

Friday's Closing

Symbol	Price	Change
Dow Jones	2,800.50	+17.50
S&P 500	312.00	+1.50
Nasdaq	1,100.00	+10.00
NYSE Volume	1,200,000,000	
NYSE Value	\$150,000,000,000	

Stock Indexes

Index	1991	1992
Dow Jones	2,783	2,801
S&P 500	310	314
Nasdaq	1,090	1,110
NYSE Volume	1,100,000,000	1,200,000,000
NYSE Value	\$140,000,000,000	\$150,000,000,000

Commodity Indexes

Commodity	Price	Change
Crude Oil	\$22.00	+0.10
Gold	\$380.00	+2.00
Silver	\$5.50	+0.05
Copper	\$1.80	+0.02
Aluminum	\$0.45	+0.01

Market Guide

Market	Index	Value
Stocks	Dow Jones	2,801
Bonds	10-Year Treasury	105.00
Commodities	Crude Oil	\$22.10

Agnellis Buy 2% Stake In Accor for \$58 Million

Compiled by Our Staff From Dispatches
PARIS—A holding company affiliated with Italy's Agnelli family has bought a 2 percent stake in Accor SA for 70 billion lire (\$58 million), the French hotel group said Friday.

A spokesman for the holding company, known as IFIL, said the purchase on the Paris Bourse had been made with Accor's approval over the past few months, and that IFIL would have a seat on the Accor board.

The move by the Agnellis, who control the Fiat industrial empire, marks the family's first move into France since another of their companies retreated from the Perrier takeover battle in March and left the mineral water company to Nestlé SA. The Agnellis ended up, however, with control over other assets of Perrier's top shareholder, Exor SA, including the Château Margaux wine business.

The stake announced Friday strengthens a relationship between IFIL and Accor that began two years ago when the two set up the Sifalberghi joint venture to build and manage hotels in Italy. IFIL last year acquired a 50 percent

stake in Accor's Novotel Italia unit. The two joint ventures will merge this year, creating a group with eight existing hotels and six under construction, IFIL said. The group will have 2,300 rooms.

Accor's stock gained 2 francs, to close at 796 francs a share, on the Bourse.

Accor, which is acquiring Compagnie Internationale des Wagons-Lits & du Tourisme, has said it expects to increase its net profit 10.7 percent this year, to 1.05 billion francs (\$193 million), in addition to its Novotel hotels, it runs chains under the Sofitel and Mercure names.

In Milan, IFIL reported separately Friday that its consolidated net profit for 1991 had risen 42 percent, to 162.5 billion lire. The holding company attributed the increase to an expanded presence in the hotel and food sectors.

IFIL, whose full name is IFIL-Finanziaria di Partecipazioni SpA, controls Fiat SpA together with its parent IPI SpA.

IFIL raised its dividend on common stock 8 percent, to 130 lire a share, and it raised its savings stock dividend 7 percent, to 150 lire a share. (Bloomberg, Reuters)

Fokker Seeks Leading Role

AMSTERDAM—Fokker NV, the Dutch aircraft manufacturer, is insisting on the leading position in any consortium that results from negotiations with other European aerospace companies.

"Fokker will be the lead company in developing, building and selling aircraft," no matter how the consortium is structured, Bart van Veen, a Fokker spokesman, said Friday.

The comments followed an announcement late Thursday that Deutsche Aerospace AG would take a 51 percent stake in Fokker.

Fokker began partnership talks with the German company six weeks ago. Since then, Aerospace of France and Alenia SpA of Italy have expressed an interest in forming a consortium. Fokker said other companies would be allowed to join only if they did not develop competing aircraft. (AP, AFP)

BONDS: Japan Bids Farewell to Low-Cost Borrowing

(Continued from page 1) of the first, and the biggest, among Japanese companies to raise high-cost money, its bond issue announced Thursday is just the beginning.

Raising money at such a ridiculously low cost was possible at that time because the Tokyo stock market was surging, and Toyota could entice investors to buy its bonds by giving them special rights to its shares and thus profit on the market's upward swing.

But now that Japanese stock prices have collapsed, that game is over; meanwhile, the old low-cost bonds mature in July. So Toyota is giving up its cut-rate financing—and in the coming months, hundreds of Japanese companies that used similar financing methods in the late 1980s will follow suit.

According to Sanyo Bank, \$186 billion in equity-linked bonds issued during the bubbly 1986-89 period are coming due in the next four years, \$75 billion of them in 1993. So while Toyota may be one

highly advantageous case of capital," wrote Richard P. Mattione, a Tokyo-based economist for J.P. Morgan & Co., in a study last month. "Today, one must turn the question around: Does Japan suffer a cost of capital disadvantage now?"

The answer, Mr. Mattione concluded, is yes; for the first time in years, Japanese companies actually have to pay more to raise money than U.S. companies do—although the disadvantage Japan now suffers "is very modest," compared with the edge it recently enjoyed.

Investor's Europe

Exchange	Index	Friday Close	Prev. Close	% Change
Amsterdam	CBS Trend	780.40	780.00	+0.51
Brussels	Stock Index	5,998.26	5,997.97	+0.01
Frankfurt	DAX	1,802.96	1,785.48	+0.98
Frankfurt	FAZ	722.03	719.29	+0.38
Helsinki	HEX	844.27	841.96	+0.27
London	Financial Times-30	2,148.70	2,141.50	+0.36
London	FTSE 100	2,715.00	2,702.00	+0.48
Madrid	Iberex	299.76	299.00	+0.22
Milan	MIB	976.00	986.00	+1.04
Paris	CAC 40	2,045.12	2,016.83	+1.40
Stockholm	Affarsvarlden	1,108.61	1,105.02	+0.32
Zurich	Stock Index	443.78	443.64	+0.03
Zurich	SBS	688.58	688.90	Unch.

Very briefly:

- Volvo's acquisition of the operating assets of its independent British passenger car importer and distributor, Volvo Concessionaires Ltd., was approved by the EC Commission.
- Sandvik AB, the Swedish steel and tool maker, reported on Friday a 16 percent fall in first-quarter profit, to 472 million kronor (\$79 million), on sales of 4.16 billion kronor.
- Airbus Industrie is seeking customers for its planned A-319 jet, a shortened A-320 that will carry 124 passengers, with a range of up to 4,000 kilometers (1,400 miles), and hopes the plane will enter service in 1995.
- Lesmo PLC said it sold 10.1 million shares in Lesmo Canada Inc., representing half its 57 percent shareholding in the company, for \$25 Canadian dollars (\$6.86) a share, or a total \$3.2 million Canadian dollars.
- The Confederation of British Industry forecast the British economy would return to growth in the second quarter of 1992 and expand 0.9 percent for the year, but it did not predict a fast recovery from recession.
- Paris dealers applauded the end next month of the daily fixing sessions of foreign currency that had been held for the last 15 years in a special room at the Paris Bourse, to be replaced by a daily list of reference rates published by the central bank at 4:30 P.M. local time. (Bloomberg, APX, Reuters)

Adidas Cutting 500 Jobs in France

LANDERSHEIM, France—The sporting goods manufacturer Adidas AG, controlled by Bernard Tapie, is to cut 499 jobs at four sites in eastern France, the management of its French arm said on Friday.

The plants, run by Adidas-Sarragans-France, now employ 1,400 people making sports shoes and balls.

Adidas, based in Herzogenaurach, Germany, announced this week a halving in net profit, to 44 million Deutsche marks (\$27.3 million), in 1991. Mr. Tapie, the entrepreneur who is the French government's minister of urban affairs, last week denied newspaper speculation that he was considering pulling out of Adidas.

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Denmark	Dkr. 3,400	4,732	1,600
Finland	Fmk. 2,900	3,640	1,200
France	Ffr. 1,800	3,094	950
Germany (incl. DM)	665	1,027	365
Italy	Lit. 190	291	416
Great Britain	DM 810	1,022	416
Canada	Can. \$ 29	44	16
Spain	Ptas. 65,000	91,000	34,000
Sweden	Swk. 220	340	120
Switzerland	Lfr. 480,000	800,000	250,000
Netherlands	Lfr. 13,000	20,220	7,100
Norway	Nkr. 710	1,138	390
Portugal	Esc. 3,300	5,896	1,800
Norway	Esc. 45,000	76,440	25,000
Spain	Ptas. 45,000	69,100	25,000
—hand deliv. Madrid	Ptas. 55,000	82,100	27,500
Sweden (normal)	Swk. 2,900	4,288	1,600
—hand delivery	Swk. 3,300	4,888	1,800
Switzerland	Sfr. 590	1,022	330
Rest of Europe, N. Africa, former French Africa, Middle East	\$ 620	—	245
Rest of Africa, Gulf States, Asia Central/South America	\$ 780	—	420

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Daiei to Buy Stake in Recruit Founder, Charged in Scandal, to Sell Shares

By Our Staff From Dispatches TOKYO — Daiei Inc., which operates Japan's largest supermarket chain, said Friday that it would buy about a one-third stake in Recruit Co., the information company at the heart of a stock scandal that shocked the government in the late 1980s.

Recruit's information and publishing business, analysts said. But Recruit's financial woes, combined with Daiei's own heavy debt burden and patchy record in turning profit buyers into profit, led some analysts to doubt how well Mr. Nakachi's latest deal would turn out.

Shanghai Plans Market For Futures

BEIJING — After opening China's first stock market, Shanghai plans to launch the country's first futures exchange within a few days. China's largest city hopes the metals exchange will expand to become the biggest futures market in Asia and help restore Shanghai's former glory as the commercial and financial hub of the region, a local newspaper reported on Friday.

Battered Mazda Expects Another Difficult Year

Compiled by Our Staff From Dispatches TOKYO — Mazda Motor Corp. said Friday that its profit in the financial year that just ended fell 60 percent from the year before, and it forecast a further 24 percent decline this year because of rising operating costs and long-term debt.

Investor's Asia table with columns for Hong Kong, Singapore, Tokyo, and various market indices like Nikkei 225, Hang Seng, Straits Times.

IBM-Apple Multimedia Standard

TOKYO — International Business Machines Corp. and Apple Computer Inc. said Friday they were reaching an agreement on a multimedia standard for Japanese electronics companies to establish an international multimedia standard.

JVC Posts Loss, Pioneer Profit Slides

TOKYO — Victor Co. of Japan on Friday posted a consolidated pre-tax loss of 7.02 billion yen (\$54 million) for the year ended March 31, while Pioneer Electronic Corp. reported a 19 percent drop in profit.

Thai Stocks Fall on Coup Rumor

BANGKOK — The Stock Exchange of Thailand dropped 20.16 points on Friday, despite a late-minute bout of bargain hunting, because of rumors that the military might stage a weekend coup, brokers said.

Very briefly:

- Ricoh Co., the maker of photocopiers and office equipment, suffered a parent-company operating loss of 1.73 billion yen (\$13.3 million) in the year to March 31, mainly because of a 14 percent fall in exports in the previous year, the company had an operating profit of 17.34 billion yen.

Taiwan Assuages U.S. on Copyrights

TAIPEI — Taiwan's parliament passed long-awaited copyright law revisions on Friday in a bid to shake off possible U.S. trade sanctions, a parliamentary official said.

Large table of international fund listings with columns for fund names, currencies, and prices. Includes sections for American Value, International Funds, and Other Funds.

For information on how to list your fund, fax Simon OSBORN on (33-1) 46 37 52 12.

THE
REPORT

FIRST COLUMN

Testing
The Banks
Over O&Y

ANY financial crisis, just like a Hollywood potboiler, needs the proper blend of avarice and ignorance and a cast of outsized characters to capture the public's imagination. The Olympia & York affair has it all.

The secretiveness of the Reichmanns was equaled by their hubris in thinking they were too big and too smart to be caught up in the collapse of the commercial office market.

But they more than met their match in a gaggle of bankers so eager to do business with the brothers and pocket those juicy loan origination fees that they neglected to look at the borrower's books, or notice the proliferation of see-through glass towers springing up around them.

Now the banks have it in their power to force O&Y's jewel properties into bankruptcy protection, but they would do well first to read a new Bank of England study on Britain's battered home market. The study concluded that reducing the rate of repossession would help boost home prices much more than a cut in interest rates.

THERE is no direct link between the markets for 40-story office buildings and homes or apartments, of course. For starters, the housing market hasn't seen the type of building craze that produced more U.S. office space in the 1980s than existed before the decade started. With office vacancy rates at 25 percent and more in some U.S. cities and about 50 percent in London's Docklands, it will be a long and difficult process to stabilize office prices, much less spur a recovery.

But even with such a weak outlook, it is hard to imagine confidence returning if banks scramble to seize O&Y's properties and put them on the market. Harder still to imagine that the banks that erred so much in fueling the building boom have the expertise to step in and manage the properties back to health themselves.

There's been plenty of breast-beating in financial circles about the deal-making excesses of the '80s. Long-term planning and the return of relationship banking are today's buzzwords. If banks really mean to change their ways, O&Y is a good relationship to start with.

T.B.

Commercial Property:
Can It Get Any Worse?

By Philip Crawford

THE world's financial markets may have handled the bankruptcy filings of Olympia & York with aplomb, but the move may have dealt a new blow to the already-reeling market for commercial real estate.

The big question for investors is whether the O&Y debacle will trigger a further decline in prices or, conversely, signal the bottom of the abyss for property markets worldwide. Could the long-awaited recovery be just around the corner?

Some experts feel that the stumbling of a Goliath such as O&Y, the world's largest developer that just a year ago seemed invincible, can only further butt public confidence in the real estate market. That could throw a bucket of cold water onto an already feeble flame of hope for a price recovery.

"Value is two things, fact and perception," said Joseph Benkowski, director of real estate consulting for Delta Associates, a Virginia-based firm that advises property investors. "What you've done here is added to the negative image of everything that's happened in the real estate market over the past 18 to 24 months, and you've done it in a big way. I don't know that it will bring values further down, but it certainly defers the recovery of value."

Few property market watchers have to be reminded of the plunge in prices that has accompanied the lingering recession. Rental prices for prime office space in the City of London, for example, has fallen by a third in the last year and a half to about £38 (\$69) a square foot; in the higher-priced West End, the decline has been nearly 40 percent. In the United States, the declines range from around 13 percent in New York to around 30 percent in Los Angeles, where a quarter of all office space lies vacant.

In the more overbuilt markets, the scramble to find tenants is so intense that posted rents are virtually meaningless. In London's Docklands, where the Canary Wharf complex is O&Y's most high-profile disaster, new tenants get incentives and rebates covering as much as half the listed rent, dropping actual costs to as little as £10 a square foot. The same holds for Toronto, home of O&Y's Reichmann brothers, where actual rents can dip below \$10 a square foot, as much as two-thirds below the quoted price.

But given that dismal state of affairs, many property analysts in the United States

and Britain — the two countries where commercial real estate investment is most accessible to the public — question whether Olympia & York's woes will create much fallout for investors.

"I think the worst is over," said Naresh Gudka, a real estate specialist at Paribas Capital Markets Group in London. "If you wait six months to a year, I think the property sector will begin to perform again."

Some analysts in Britain, where an estimated 50 percent of publicly listed property companies are technically insolvent, are even sanguine about property company share prices.

"If Canary Wharf ends up being put into administration, you might see an initial hit of about 5 percent across the board for property company share prices," said Selwyn Jones of Credit Lyonnais Securities in London. "But I don't think the O&Y affair will have major long-term ramifications for investors. The major real estate firms have zero exposure to the Docklands."

Mr. Jones said the exception might be Hammerson Property Investment Corp., which has an asset exposure of about 25 percent in Toronto, a market that is widely expected to take another serious hit before recovering. But despite O&Y and still-falling values in London, Mr. Jones added that he felt market sentiment in the Britain is about to turn a corner.

"I think investors feel that the upturn is not too far away," he said. "Perhaps coming within the next 12 months. Of the majors, I think British Land's shares are the most attractive."

Mr. Gudka of Paribas said he felt most of the bad news for British property companies was already in their share prices. "Over the last few years, the property sector has dramatically underperformed the overall equity market," he said. "And when it became apparent, about six weeks ago, that both O&Y and another developer, the Heron Group, were in trouble, property share prices did come down sharply."

Mr. Gudka added that he did not feel the construction industry would be seriously affected by any continued real estate market downturn. "The boom in office building is by and large over, and the contractors have already been paid," he said. "It's the developers' problem to fill the buildings. Of course, it remains to be seen if O&Y's situation will make it harder to find financing for future construction."

Robert Fowles, an analyst with Klein-

U.S. Commercial Property Valuations

Source: NAIOP, Fresh Equest Co.

U.K. Property Shares

Source: Datastream

Prime Rents
(\$ per sq. ft.)

NEW YORK Downtown	33.62
Midtown	37.56
LOS ANGELES	26.80
CHICAGO	31.78
TORONTO	8.40-12.80
LONDON City	68.05
Docklands	18.15-36.25
West End	73.65
PARIS	75.40
FRANKFURT	62.20
TOKYO	241.50

Vacancy Rates

NEW YORK Downtown	17.08
Midtown	17.50
LOS ANGELES	25.41
CHICAGO	21.70
TORONTO	15.70
LONDON City	17.70
Docklands	50.00
West End	16.80
PARIS	33.00
FRANKFURT	1.50
TOKYO	N.A.

*Rents quoted by widespread sources. Source: ICPA, Cauffman & Wolfson, Royal Le Page

Canary Wharf alters London's skyline but threatens to bring down Olympia & York and further depress commercial property prices.

wort Benson Group, disagreed with the optimistic scenario, however. He is looking for the property sector to continue underperforming the equity market. "None of the share prices of any of the major property companies strike me as attractive right now, at least not in relative terms."

Unlike in Britain, where real estate investors' returns are primarily a function of share price, the main publicly traded vehicle for property investors in the United States is the real estate investment trust, or REIT. It focuses on dividends that give investors a direct exposure to the income streams from commercial property.

The REIT concept is similar to that of a mutual fund. Investors pool their money, which a management corporation uses to buy real estate, mortgages and other properties. Earnings come primarily from rent or mortgage payments. The vehicle's attraction for investors has traditionally been its high dividend yield and certain tax advantages, the downside being extensive regulation on matters such as investor eligibility and payouts from asset sales.

REITs come in every size, shape and form, and invest in all classifications of property. Some of the major U.S. REITs are the New

Plan Realty Trust, Weingarten Realty Investors, Federal Realty Investment Trust, United Dominion Realty Trust and Rockefeller Center Properties. In the first quarter, the equity index of the National Association of REITs outperformed stocks, climbing 0.7 percent compared with a drop of 2.5 percent in the Standard & Poor's 500 index. Having raised \$1.2 billion of capital during that period, REITs now own about \$45 billion of property.

Why the suddenly creditable showing by REITs, not to mention the renewed investor interest, after poor performance caused them to fall out of favor in the early '80s? Among other things, analysts cite REITs' investments in smaller, conservatively leveraged properties that have provided relatively steady revenue streams. New interest also has been sparked by the fact that REITs can serve two masters: For developers, they're a source of capital in a currently illiquid market, and for investors, they offer a liquid shareholding in market that some feel has nowhere to go but up.

David S. Leibowitz, director of research for American Securities in New York, played down the effect of O&Y's problems on REITs. "There's no reason why it should have an effect," he said. "The public did not

invest in Olympia & York, and I don't think you can make a strong connection." But given the depressed state of the New York commercial property market, Mr. Leibowitz added: "It would be premature to lift a glass of libation to celebrate its recovery."

Joseph Robert, chief executive of Virginia-based J.E. Robert Cos., a major U.S. real estate management firm, concurred that REITs have little exposure to O&Y's difficulties, but he said that very lack of exposure was part of the problem for the commercial property market. "REITs are so restrictive that they work for only a small percentage of investors," he said. "The average American real estate investor has no access to the commercial real estate market, and that's the source of capital that the market obviously needs to tap. Until the government eases restrictions, though, you won't see it happen."

But as with many past market events that have been initially perceived as cataclysmic, O&Y's crash has led some experts to view it as cathartic. "We may look back at O&Y in a couple of years and see this as, if not the actual, the emotional bottom of the real estate market," said Robert Frank of Alex. Brown & Sons in Baltimore. "As the real market needed to truly move forward."

Spring 1992

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BRIEF CASE

With Dow Stocks Splitting,
What's a Point Worth?

Splits in several high-priced components of the Dow Jones industrial average may make the widely followed index of American blue-chip stocks more volatile — or at least seem to do so.

The issues whose shares have split, or are about to, include Coca-Cola and Procter & Gamble, 2 for 1; Walt Disney, 4 for 1, and Merck, 3 for 1.

The Dow is calculated by adding up the prices of the 30 components, then dividing by a number, which had been 0.559. That meant that a \$1 change in the price of any Dow price moved the index by 1.7889 points. After the latest round of splits, the divisor will fall to 0.468. A \$1 change then will move the index by 2.1368 points.

That piece of arithmetic has led some analysts to warn of heightened volatility. But what is not factored into the argument is that a move of \$1 in a stock that has split is that much more unlikely and represents a greater percentage move, so it should have a greater effect on the index.

For instance, Disney shares were trading close to \$150 before they split on Monday. A \$1 change will be a much bigger deal with the stock fetching less than \$40.

A similar type of logic holds true for the Dow. With the index roaming between 3,300 and 3,400, it should fluctuate by a greater number of points than 10 years ago, when it was below 1,000. But leaving points and splits aside, moves of a given percentage in the components' values will continue to move the index by the same percentage. So the expectation of increased volatility is based not on fact but on appearance, something not entirely foreign to Wall Street.

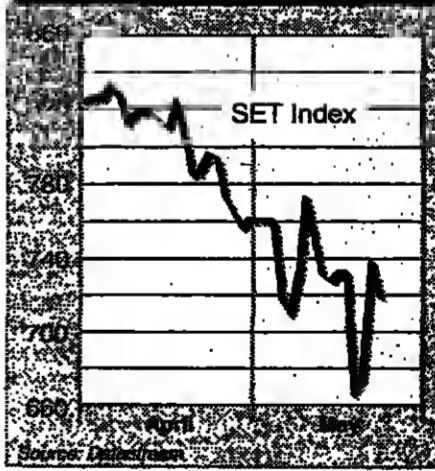
Bangkok's Panicky Bourse
Looks for an End to Violence

The conventional wisdom on Thailand — that despite occasional coups, the economy will continue to head straight up — was severely shaken by the violent confrontations that left scores of pro-democracy protesters dead. Although the stock market reacted with euphoria when the king intervened and brokered a truce, it buckled anew on Friday on fresh coup rumors. Confidence is likely to remain shaky in the short term, analysts caution.

"A lot of investors have been frightened off, obviously," said Richard Moseley, who follows the Bangkok market at Jardine Fleming in Hong Kong. His short-term advice: "Let things calm down before making major investments."

A major worry is how much of an impact

Tumble in Thailand



the violence will have on tourism. Lower tourism earnings could worsen the trade balance, and put upward pressure on interest rates, Mr. Moseley said.

But assuming the agreement to draw up a new constitution ends the unrest, the country should regain its rank as the fastest-growing country in booming Southeast Asia, Mr. Moseley said. Jardine is forecasting 8.9 percent growth this year, with earnings per share rebounding by at least 10 percent after a 5 percent fall in 1991.

"It's a thriving economy and one hopes that the events of the past few days will not have too drastic an impact," he said. "We still think the outlook for the Thai economy is fundamentally strong."

Bonds Don't Like Democrats
But Stocks Aren't Partisan

Does it matter for investors which candidate manages to back into the White House in November? It matters a great deal for bondholders, but not a lot for stockholders, according to a study by Shearson Lehman Brothers.

Since 1953, when the Republican Dwight D. Eisenhower was inaugurated as president, the average annual return of stocks in Standard & Poor's 500 index has been 11.8 percent during Republican administrations, the Shearson report says. During Democratic turns in office, it has been 11.2 percent.

Democratic administrations have not been kind at all to bondholders. The average

annual return of 10-year Treasury notes has been 7.5 percent when Republicans were in charge, but a big zilch — 0.0 percent — under Democrats, the Shearson report indicates. Much of that nothing performance is the result of the Carter years, when inflation and interest rates went sky high, chewing up the value of bonds.

Clip-and-Buy Fund Proposal
Raises Protection Worries

The explosive growth of U.S. mutual funds has been one of the biggest trends of recent years, and a driving force in pushing stocks to record highs. But with the industry having surged to some \$1.5 trillion in assets and the last regulatory review having taken place more than 20 years ago, the Securities and Exchange Commission is taking another look at its rules.

The SEC said its proposed new rules were intended to give investors a broader choice of funds at a lower cost, but some of the proposals appeared to run at cross purposes as far as investor protection is concerned.

One key proposal was to let investors buy into mutual funds without having to send away for a formal sales offering. Instead, investors could clip a coupon from a newspaper ad and mail it in with a check. That proposal does not sit well with some groups that get regular feedback on the problems that average investors face. "Too few people read the prospectus as it is," John Markese, director of research at the American Association of Individual Investors in Chicago, told The New York Times. "I have a feeling that this coupon-clipping procedure will even lessen that number."

The SEC counters that ads would be required to provide more information about a fund's performance. And since brokers can sell stocks by telephone, why not permit the same thing with funds?

One investor protection proposal calls for the majority of fund directors to be independent of the sponsors, up from the current minimum of 40 percent.

The proposals also would allow investors to negotiate sales commissions, or loads, and allow funds to charge a single fee to bundle together a series of fees charged today. The SEC hopes a unified fee would push funds to compete harder on price. Skeptics say the biggest beneficiaries of negotiable fees would be individuals but rather big institutions who have boosted their share of mutual fund assets to 23 percent from 11 percent in 1970.

The SEC can implement some of the proposals itself, but others will require Congress to amend the Investment Company Act of 1940.

THE MONEY REPORT

Seeking a European Emerging Market in Greece

By Katherine Burton
THE Greek parliament is expected to approve shortly a reduction in its corporate income tax to 45 percent from 45 percent.

The budget deficit dropped to 18 percent of GDP last year. The inflation rate, although high, fell to 16 percent in April from 18 percent for the first three months of 1992, and analysts say 13 to 15 percent by the end of the year is not unreasonable.

Economy on the Mend
But analysts say Greek equities are inexpensive and boast high earnings potential. Corporate earnings are expected to grow by 30 percent this year, according to analysts at Credit Suisse First Boston in London.

There are some big hurdles in the short term, though. Tension over the bid by the former Yugoslav republic of Macedonia to be recognized as a sovereign state with that name, which Athens opposes because Macedonia is also the name of a Greek province, "could push the market down," said Marc Antoine de Dietrich, manager for Schroder Investment Management's Greece fund.

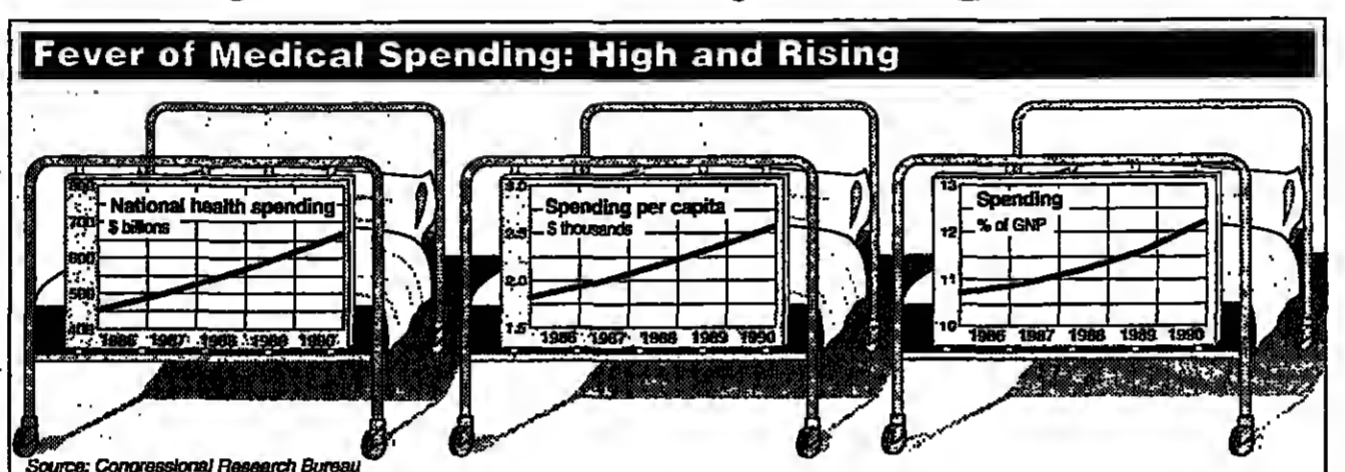
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Analysts' Estimates of French Company Results

Table with columns: COMPANY, End of fiscal year, Earnings est. for '92 (Franc year), Last month's est., % change, Last month's closing price, Current price, % change, P/E (est.), No. of analysts' est. used. Rows include France's Best (e.g., INSTITUT MERIEUX) and France's Worst (e.g., SCHNEIDER SA).

Early Death Benefits Ease Pain of Rising U.S. Medical Costs

By Judy Rehak
ACCELERATED death benefits. Grim as that sounds, this new wrinkle in life insurance is being welcomed by U.S. policyholders.



Insurers do not stipulate how an accelerated payment may be spent, so for those who accept the inevitability of death, the money can serve to ease the emotional pain. "One man took \$40,000 of his \$80,000 policy and paid off his mortgage, bought a grave site and paid for his funeral," said Mr. Long of Prudential.

Cosmetics Stocks: Good Looking but Hard to Find

In her 1991 best-seller "The Beauty Myth," author Naomi Wolf argues that the cosmetics industry has created an unrealistic image of the female aesthetic that manipulates women into buying its products.

a French portfolio, we also wouldn't chase it at current levels." Shiseido, on the other hand, may hold more promise because of what many analysts say is an increasing emphasis on youth and beauty in Oriental culture.

Many of the remaining highly-recognized names in cosmetics, such as Chanel, Revlon, Mary Kay and Estee Lauder, are privately owned. Others like Christian Dior, Cover Girl, Max Factor and Fabergé are owned by diversified groups, to which they typically contribute a small but not negligible percentage of sales.

Christian Dior cosmetics and perfumes, for example, as well as perfumes marketed under the Givenchy and Christian Lacroix names, are owned by Paris-based LVMH-Moët Hennessy Louis Vuitton SA, the luxury leather goods and champagne concern.

"In the investor's eyes, the cosmetics side of LVMH—about 20 percent of overall sales—sometimes takes on greater importance than it should, because those products are glamorous and highly-publicized," Mr. Wakely said.

Dollar Investment Package

Advertisement for Dollar Investment Package by JYSKE BANK Private Banking (International). Includes contact info for Copenhagen, Denmark.

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Volvo advertisement featuring a portrait of Pehr Gyllenhammar, Chairman. Text: "People at the top read the Trib." Includes Volvo logo and contact info.

Vertical text on the left margin, partially cut off. Includes "Clip-and-Buy Fund Promotes Protection Worth..."

SPORTS

Royals Pound Relievers To Blow Game for Ryan

The Associated Press
Three times is no longer a charm. For Nolan Ryan, it's a curse.

Ryan left his relievers a lead once again Thursday night, and for the third straight time, his bullpen blew it.

Mike MacFarlane hit a three-run homer off Jeff Russell in the ninth as the Kansas City Royals routed Ryan's bid for his first victory of the season with a 7-5 victory over the Texas Rangers in Arlington.

Ryan gave up just one hit and left the game with a 5-1 lead after

AMERICAN LEAGUE

seven innings. He had retired the final 18 batters.

Ryan, who has never gone this far into a season without winning a game, is stuck on career victory No. 314. His last victory was Sept. 25 against Seattle.

"It's a heck of a shame that Nolan's still stuck on that number," Russell said. "Somebody's got to get a hex on him. We've got to work extra hard to get him the win."

Ryan said he didn't second-guess manager Bobby Valentine for pulling him after he had thrown 111 pitches.

"I feel like I've been throwing well," he said. "But things just

didn't work out. Under the circumstances, he did the right thing." Valentine didn't have any excuses for his bullpen. "You just don't know what to expect from some of the guys," he said. The bullpen also blew leads in each of Ryan's two previous starts, both against Milwaukee.

Lance McCullers started the eighth for Texas, and most of the 23,363 started for the gates, their man done for the night. McCullers walked one batter and Kenny Rogers came on. He gave up a single to Curtis Wilkerson and a three-run homer to Terry Shumpert, his first making it 5-4, before retiring the next three hitters.

With one out in the ninth, Kevin McReynolds reached on a fielding error by shortstop Dickie Thon. Jim Eisenreich doubled and Russell replaced Rogers. Russell gave up MacFarlane's home run to left field on an 8-2 pitch.

Ryan walked two and struck out eight in his longest outing of his 26th major league season. The only hit he gave up was Gregg Jefferies's blump double in the first.

Brewers 7, Tigers 3; Milwaukee used four homers, including a three-run shot by Scott Fletcher, to beat the Tigers and gain a split in the four-game series in Detroit.

Paul Molitor homered twice and Kevin Seitzer once for Milwaukee. The Brewers, who had hit just nine home runs in their first 18 games in May, hit two in the first inning and had three after three innings against Scott Aldred.

A sixth-inning double by Dante Bichette drove in Greg Vaughn to break a 3-3 tie. John Doherty relieved Aldred and issued an intentional walk to pinch-hitter Franklin Stubbs. After Dave Nilsson grounded out, Fletcher hit the first pitch into the lower deck in left for his first homer since April 15, 1991, at New York, when he played for the Chicago White Sox.

Seitzer and Molitor homered on successive pitches in the first inning. It was Seitzer's second and his first ever against Detroit, the only American League team against which he had never homered.

Molitor, who didn't start the previous three games because of a sore left hamstring, gave Milwaukee a 3-0 lead in the third with his fourth homer.

Lou Whitaker's fifth homer cut the margin to 3-1 in the bottom of the third. Chad Kreuter's first homer, following a double by Skeeter Barnes, tied it 3-3 in the Detroit fifth.



The New York Mets' Howard Johnson reached up the centerfield wall in San Diego to rob the Padres' Darria Jackson in the second.

When the Thread Breaks On the Road to the Game

By George Vecsey
New York Times Service

NEW YORK — The bus was sitting outside Yankee Stadium, waiting for the California Angels. Everybody else had to hack his own way home through the tangled highways and erratic drivers of the Bronx. That sleek, modern bus looked pretty convenient. There are always buses outside the ballpark, waiting to take the players to the hotel, to the airport, to the next town. It is the only way teams can fulfill those crisp appointments in the season schedule.

Wednesday, May 20: California at New York (night).

Friday, May 22: California at Baltimore (night). The Angels were traveling by bus from the Bronx to Baltimore because it was faster and more convenient to sit in a bus for four hours, door to door, than try to catch a flight at that hour. It always makes sense to get players out of town right after a game.

This very same Angels franchise lost Lyman Bostock in 1978, when he was in the wrong place at the wrong time in Gary, Indiana, after a day game in Chicago, and somebody blew him away.

The Yankees lost Thurman Munson a year later when he crashed his complicated new plane on a day off. The clubs prefer to have the players together. The more control, the better.

The players assume the right to a perfect trip because they are, after all, major league athletes. The world owes them a living. They have a road secretary to plan the trips, and their only conversation with him is when the luggage is delayed or the keys are not ready at the hotel.

The players dress in the clubhouse and perhaps they remember to tip the attendant and then they file out of the stadium and put themselves in the hands of the driver, who is always known as Bussie. All the players see of Bussie is the back of his neck, as he pilots the air-conditioned bus through the narrow lanes.

Bussie is never acknowledged, unless he manages to get lost. Then he is heckled with a ferocity he never heard in the depot. Hey, Bussie, where'd you get your license? Hey, Bussie, can't you read a map?

Early Thursday morning, the California Angels were reminded of just how tenuous it is to huddle all over the continent to play 162 games in six months. Their bus crashed through a guardrail on the New Jersey Turnpike, skidding about 350 feet (105 meters) and ending up flipped over on its side against a tree. The driver, Carl Vencz, said he swerved to avoid debris in the road.

Buck Rodgers, the manager, who a few hours earlier was trotting around Yankee Stadium debating umpires and changing pitchers, suffered fractures of a rib, the right knee and the right elbow, and 11 other passengers were injured, but the club was to be able to play Friday night in Baltimore.

The players would list an airplane as the most likely way to make the front pages. Some of them have needed medicine or hypnosis or prayer just to step on board a plane. More than a terrorized few take a drink. "I always felt secure covering the first four years of the New York Mets, seeing the Mount Rushmore profile of Casey Stengel a few rows away. When lightning tossed the chartered DC-6B around the city, I knew that nothing so trivial as a storm could get Casey.

Not every team has been so lucky. The basketball team from Evansville University and the football team from Marshall University and the soccer team from Manchester United and the U.S. figure-skating and boxing teams all suffered dreadful crashes in past decades, and a Minneapolis Lakers charter flight had to land in an Iowa cornfield one dismal night.

Every sport has its disaster plan for stocking a depleted team, although the leagues don't like to talk about it.

Professional athletes all have their horror stories, just like any travelers, but at least road secretaries can plan trips six months in advance, buying up seats on a commercial flight, or chartering a reputable airline: If I ran a team, I'd charter all the time, to keep the players from the civilians, and vice versa.

But at least the big-time teams are not improvising day by day, the way performers do: flimsy charters get them from one gig to another. Just off the top of the head, names like Patsy Cline and Buddy Holly and Ritchie Valens.

The 'Disaster' Plan

New York Times Service

NEW YORK — Although there has never been a tragedy in major league sports that caused a league to implement a so-called disaster plan, such contingencies do exist. The bus accident involving the Angels brought these contingency plans into focus.

First baseman Alvin Davis, the only player hospitalized after the accident, was released from a New Jersey hospital Friday, along with two other members of the Angels traveling party. The Associated Press reported, Manager Buck Rodgers, who broke a rib, his left knee and elbow, remained hospitalized in a good condition.

Major league baseball has had a disaster plan in place since 1963. Other leagues were spurred to develop their own plans after a plane crash in 1970 that killed 38 members of the Marshall University football team along with a number of the squad's coaches.

If a few players are disabled or killed, the team is expected to supplement its roster by bringing up minor leaguers or otherwise acquiring players. But in a widespread tragedy, each of the other teams in the league would provide players to stock the disabled franchise.

The Angels play in the American League, which, like the National League, has a procedure it labels a "rehabilitation plan." If six or more players on one team are disabled, the plan kicks in. This involves selecting players, through a draft, from the remaining teams.

Giants Sweep the Pirates for First Time Since '85

The Associated Press

Things have been great lately for the San Francisco Giants, but pathetic for the Pittsburgh Pirates. Their three-game series proved it.

The Giants scored the only run on Bob Walk's wild pitch with two outs in the sev-

NATIONAL LEAGUE

enth inning and held on for a 1-0 victory Thursday in San Francisco to sweep the series.

"We caught a couple of breaks," manager Roger Craig said after the Giants won for the eighth time in 10 games to tie the Pirates atop the National League.

The Pirates, losing their sixth in a row, were swept by the Giants for the first time since July 25-28, 1985, and escaped Candle-

stick Park after mustering merely 12 hits and three runs in the series.

"To be honest, I'm not that discouraged," Pirates manager Jim Leyland said. "We got three good starts from our pitchers, but we're just not hitting."

Andy Van Slyke is the exception. His singles in the first and fourth innings were the only hits off John Burkett and Mike Jackson, who combined to retire the last 16 batters.

The percentages finally caught up with Walk, who hadn't lost at Candlestick since July 21, 1987, and to anyone on the road in 24 games since June 8, 1990, at New York.

Kevin Bass, who snapped an 0-for-19 slump with a second-inning triple, led off the winning rally with a seventh-inning double and went to third on rookie catcher Jim McNamara's hunt single. After rookie Royce

Clayton lined into a double play, Mike Felder batted for Burkett and Walk bounced a 1-2 pitch past catcher Mike LaValle, scoring Bass.

"I got a little greedy and tried to strike him out," said Walk, who yielded four hits in seven innings.

Burkett, who had received 48 runs of support in his previous eight starts, faced 22 batters, one over the minimum, in seven innings while posting his fourth straight victory. He struck out four and walked none.

Mets & Padres 3: Sid Fernandez struck out 10 in seven innings, and resurgent Bobby Bonilla and Eddie Murray homered to lead a 14-hit attack as New York pounded the home team.

Murry had four hits, including a three-run homer, to help Fernandez to a 7-1 lead in the first four innings.

Bonilla, who had two homers on Opening Day and then none until connecting Tuesday and again Thursday, doubled his total and drove in seven runs in the four-game series.

Fernandez, who has reached double figures in strikeouts four times this season, moved to second in the National League with 62. He trails only teammate David Cone, who has 69.

Berito Santiago, Gary Sheffield and Darin Jackson hit solo homers to account for the San Diego scoring and half of the six hits off Fernandez. The Mets added to the woes of Padres starter Greg Harris, who allowed seven runs and nine hits in 3 1/3 innings.

Sheffield hit his eighth homer in the sixth to extend his batting streak to 14 games, one shy of the NL best this season, set by the Atlanta Braves' Terry Pendleton.

BOOKS

CARNIVAL CULTURE: The Trashing of Taste in America.

By James B. Twitchell. 306 pages. \$24.95. Columbia University Press, 562 West 113th Street, New York, New York 10025.

Reviewed by Jonathan Yardley

JAMES B. TWITCHELL is an academic who writes about popular culture, a combination that alone is ample reason to give any reader pause. But whereas almost every other member of the pop-professoriat has got it all wrong — with ludicrous claims for pop culture as "art" — Twitchell has got it pretty much right: He understands the genuine and troubling importance of popular culture, and he hasn't many illusions about its aesthetic content.

The essential message he seeks to convey in this intelligent and provocative book is that the rise of popular culture is the triumph of the mass audience, or, if you wish, of democracy. "The end of the 20th century promises to reverse what the 19th century had separated as high and low culture," he writes. "Where the elite threatened to exile the vulgar, now the vulgar threatens to exile the elite." As he puts it elsewhere: "That to put too fine a point on it, the thesis of this book... is that the center of gravity — the 'norm' — in Western culture and world culture is dropping. We are rapidly approaching the

point where there will be no border between Lower Aesthetica and Upper Vulgaria. The gatekeepers can't find the gates."

That passage reflects the academic side of Twitchell: the insistence that those who resist the tide of mass vulgarity do so out of fear that their own cultural "hegemony" will be washed away. Like so much of the balderdash emitted by academia these days, this is rooted in Marxist notions of class struggle and has little foundation in reality. The possibility that the pervasiveness of mass culture should be resisted for the simple reason that it is the ultimate victory of the lowest common denominator is one that the pop-culture apologists simply can't, or won't, acknowledge.

The tide of mass culture — of vulgarity in the sense of "common, unwashed, scumular, barbaric" — is irresistible; those apologists for "high" culture who rail against it may do so to their hearts' content, but it is in a lost cause, for high culture now exists on a periphery even more marginal than that it once occupied and its future looks even less promising. Beethoven is now an "Ode to Joy" played between innings at a baseball game. Mozart is a vaguely familiar strain in the background as you ride an elevator. Shakespeare is a clever quote in one advertisement and Da Vinci a witty illustration in another. Nothing is so great as to be above trivialization; the insatiable maw of the mass demands constant feeding, and only in the form of pablum.

This last is not exactly the argument that Twitchell makes. He asserts that "the vulgar is powerful because it takes very simple ideas very seriously, earnestly and energetically; that its predictability is strength; that derivation and repetition are signs of success; that it is authentically democratic and classless, and that it is infinitely tolerant, viciously cheap, and ultimately adaptive."

Not surprisingly, Twitchell's strongest emphasis is on television, "a medium whose impact is so profound and so resolutely banal that it has almost single-handedly removed vulgarity from modern culture by making it the norm." But he also has much to say about the movies and about book publishing.

Along the way Twitchell touches on any number of subjects, from the mixed legacy of the original movie moguls to the strange history of public television to the rise of the celebrity author to the relationship between mass culture and violence.

It is easy to rant and rail against a culture that venerates the likes of Roseanne Barr and Arsenio Hall and Sylvester Stallone and Madonna; it is harder to figure out what all this means and to discern whether there is anything of value to be located in it. Like it or not, pop culture is the new reality: what Twitchell here is telling us is that we are going to have to learn to live with it.

Jonathan Yardley is on the staff of The Washington Post.

BRIDGE

By Alan Truscott

THE diagramed deal, played in the Berkeley-Carteret Hotel in New Jersey, helped Jay Korobov, sitting South, to win the Swiss Team title along with Peter Mayewski, Julie Rowe and Abe Pines.

North-South had a chance to defend two clubs doubled, which would have been interesting: East can escape for down one if he is careful. The defense can start with two spade winners, a spade ruff, the heart ace and a heart ruff, but East can then avoid a trump loser if he leads a diamond quickly from his hand.

In two spades, the defenders began by taking the club king and the club ace. East shifted to the diamond three, which was ducked to the nine. West misjudged by returning a diamond, and South took the queen. He led three rounds of spades, and was later able to play diamonds. This forced West to lead a heart and the heart ace came to life, providing a discard for the club loser and giving South his eighth trick.

The play would have been much more complex if West had shifted to a major suit at the fourth trick. It appears that South can always prevail, scoring 110 against the 100 he could have collected against two clubs doubled.

NORTH
 ♠ 10 5
 ♥ A Q 9 7 8 3
 ♦ 8 6 4
 ♣ 7 2

WEST
 ♠ J 6 3
 ♥ 10 8 4 2
 ♦ K J 10 9
 ♣ K 9

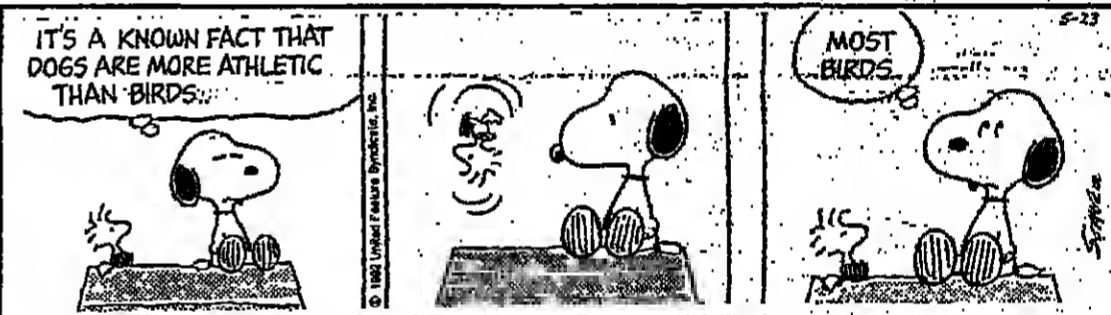
EAST (D)
 ♠ Q 4 2
 ♥ K J 5
 ♦ 3 2
 ♣ A J 10 8 3

SOUTH
 ♠ A K 9 8 7
 ♥ A Q 7 5
 ♦ Q 8 5 4

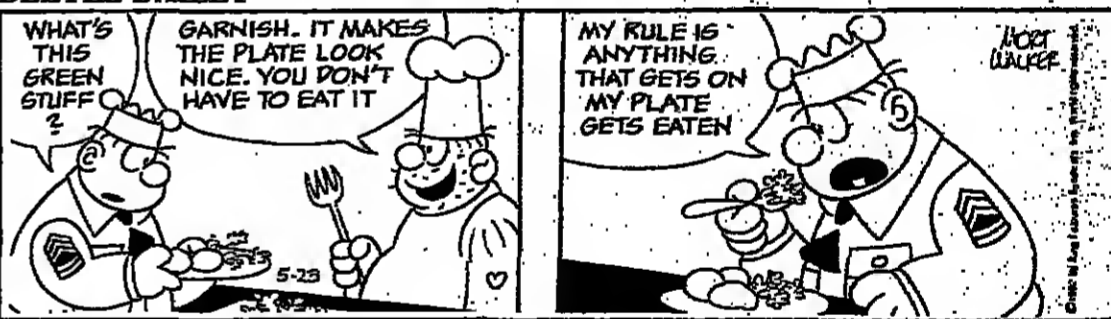
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West led the club king.

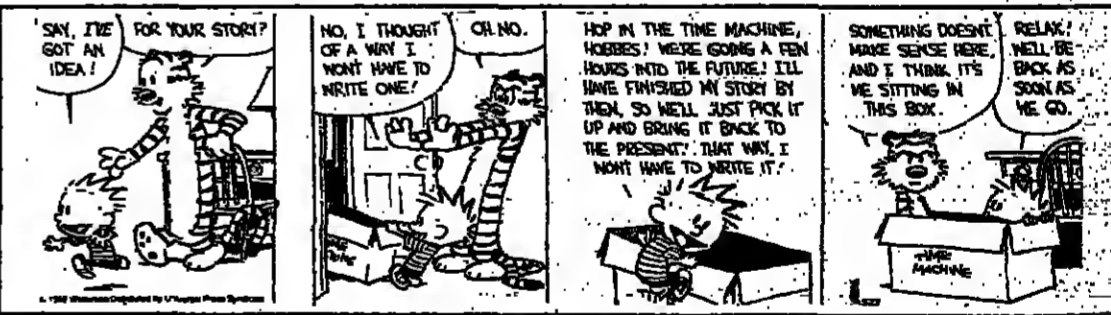
PEANUTS



BEETLE BAILEY



CALVIN AND HOBBES



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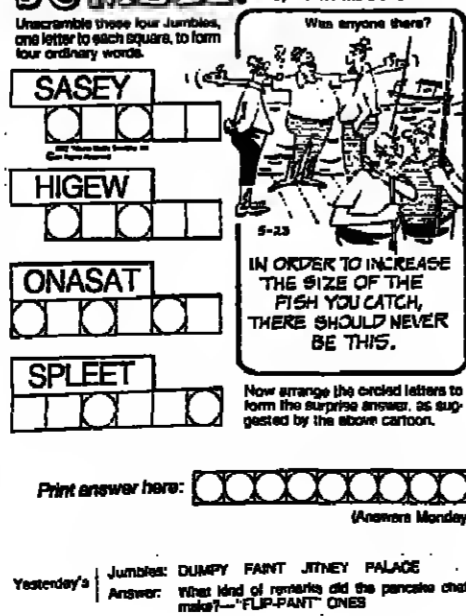
GARFIELD



DENNIS THE MENACE



JUMBLE



BLONDIE



SPORTS NBA PLAYOFFS

Cavs Trounce the Bulls, 107-81, to Even Series

By Harvey Araton
New York Times Service

CHICAGO — If the Knicks were a wake-up call for the Chicago Bulls in the Eastern Conference semifinals, then the Cleveland Cavaliers sounded a fire alarm at Chicago Stadium.

The Cavaliers trounced the Bulls in a manner the slowball Knicks could have only dreamed of. Dispelling the silly notion that the only way to beat these Bulls is to wrestle them to the floor and take the air out of Michael Jordan as they never have before, the Cavs evened the Eastern Conference finals Thursday night at one game apiece with a stunning 107-81 victory.

The worst loss I've ever been involved in," said the Bulls' Horace Grant, who predicted a quick turnaround for Game 3 on Saturday in Richfield, Ohio.

The Cleveland coach, Lenny Wilkens, had guaranteed his team would make its presence felt after a lethargic defeat in Game 1, when the Bulls talked of how much fun they'd had, how airy and spacious the court had seemed with the Knicks gone, and what a pleasant, wimpy bunch of fellows the Cavaliers were.

As it turned out, Wilkens was guilty of egregious understatement. To his credit, he finally acknowledged that in order for his team to beat the Bulls, it had to significantly step up its defensive pressure on Jordan and Scottie Pippen.

Even Jordan has nights when the basket seems to just say no. The flu bug he said he had before Thursday night's game couldn't have helped, though Craig Ehlo, who helped harass Jordan to 7-for-22 shooting, didn't want to hear it.

"If he was sick, he should have stayed home," Ehlo said. "A more aggressive Ehlo was only part of the story, as the Cavs extended their defense, double-team-

ing to assist Ehlo, as well as Mike Sanders on Pippen. With Jordan making two of his 13 first-half shots and Pippen four of 11, the other Bulls had no answers.

"We actually wanted to double-team a little more in the first game," said Wilkens, "but we didn't do a very good job of it."

The Bulls missed their first 13 shots of the game. By the time Pippen connected from 20 feet with 3 minutes, 36 seconds left in the first quarter, they were in a 20-6 hole and they weren't going to get as much as a leg up in trying to climb out.

The Cavaliers, meanwhile, presented an awesome display of ball movement, with Brad Daugherty establishing his low-post offense and with Larry Nance and John Williams loosening the Bulls up for Mark Price's one-man motion offense to tear them apart.

In building a 59-33 halftime lead, the Cavs made 63.6 percent of their shots, to Chicago's 27.9. Twelve of Price's 21 first-half points came on 3-point shots. Daugherty had 16 of his game-high 28 in the opening half.

Jordan finished with 20 points and Pippen 11, a far cry from the 62 points they combined for in Game 1.

Between Games 1 and 2, the Cavs were besieged with questions about whether they had the toughness to shut down the team that before Thursday night had a 15-2 record against them over the last three years.

Fast breaks aside, the Cavs have never surrendered an abundance of layups, as they were the No. 1 shot-blocking team in the league this season.

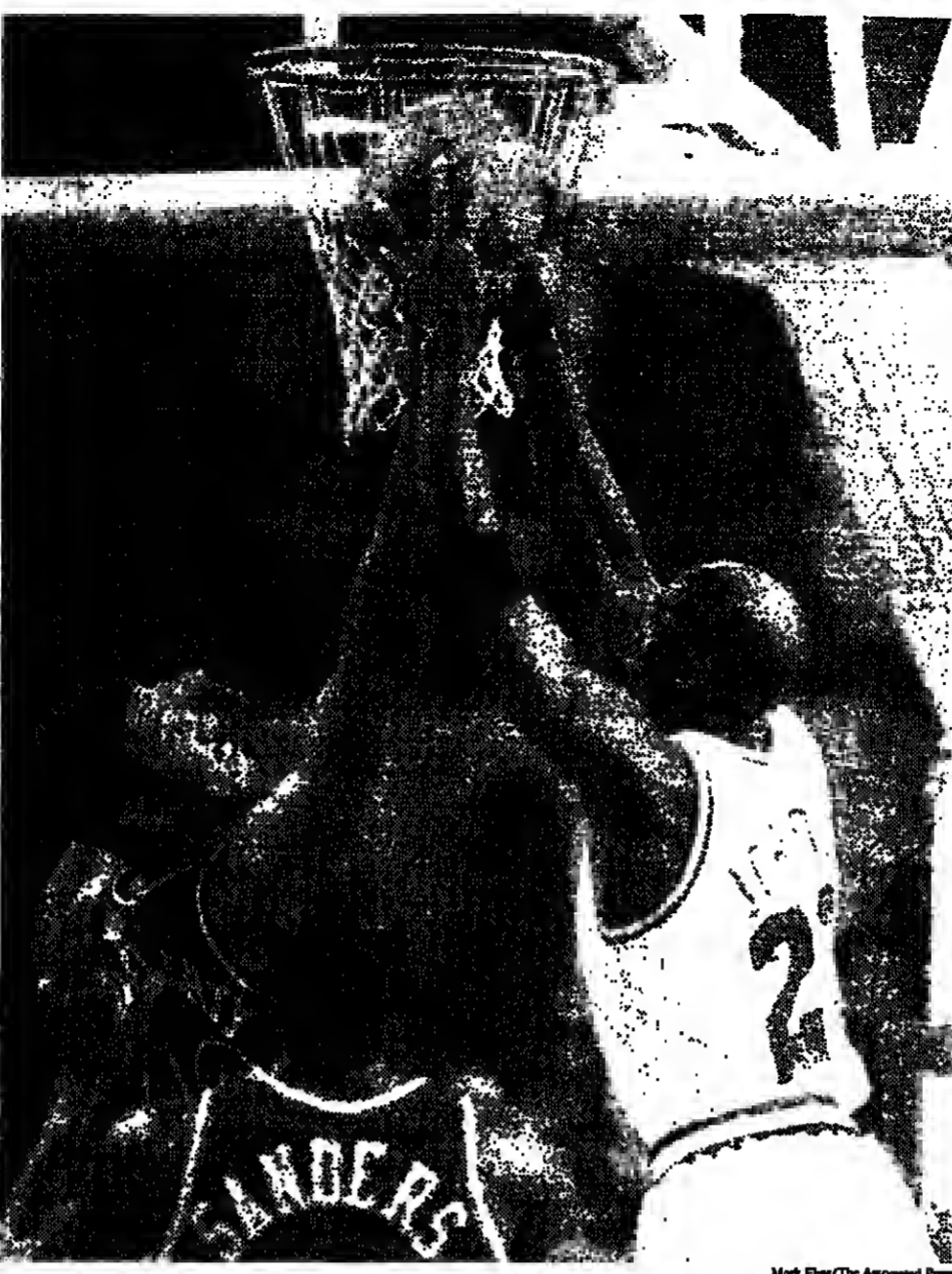
The Bulls coach, Phil Jackson, calls the Cavs' defensive philosophy an "umbrella, the kind where if you're not shooting well, you can be sitting out there putting shots up and getting nothing accomplished."

That said, Jackson went on to decry his players' effort, saying they "deserved to be booed," as they were walking off following the first half.

"I never sat through an exhibition of basketball like that," he added, referring more to the Bulls than the Cavs.

Any thoughts that halftime reflection would redirect this rout were gone when Price, on consecutive trips down the floor in the third quarter, slipped between the giants for offensive rebounds of his own and two free throws by Nance.

By the middle of the fourth quarter, the Cavs' lead having mushroomed to a high of 35, Jordan and Pippen were on the bench, presumably looking forward to Game 3.



The Bulls' Michael Jordan got a rebound over the Cavs' Brad Daugherty but was held to 20 points.

Indy 500 Showcase: For Fearless Mears, A Shot at Win No. 5

By Mike Freeman
Washington Post Service

INDIANAPOLIS — What scares Rick Mears? Standing in front of a group of people and speaking.

"My knees get all weak," he says. Or writing. He would rather put on his goggles and mud wrestle Ross Porter than write a story about himself. "I can't write; it terrifies me," he says.

What scares Rick Mears? It's what doesn't scare him that is scaring him. He has no problems with strapping himself in a 1,500-pound (680-kilogram) car capable of 700-horsepower and propelling his body through the Indianapolis Motor Speedway course at speeds approaching 240 mph (390 kph) on the straightaways.

Race officials say that is the scariest part of the Concordes job. It's also just about one-third the speed of sound.

He isn't afraid of stopping right back into a car after crashing, either. During a practice run early this month for the Indianapolis 500, Mears skidded after liquid from a broken line leaked from the right side of his Penske-Chevy.

He said his hair shined and the car, after sliding more than 300 feet (91 meters), slammed into the outside wall. Turn 2. For a moment, he was airborne. It flipped several times, then slid for hundreds of feet on Mears's roller, then slid down the backstretch on his helmeted head. Amazingly, Mears emerged from the horrible crash with only a broken left foot and a sprained right wrist.

"I was telling guys after the accident, that I felt the car start winging," he said. "Then I knew I had a problem. My first thought was, 'This is going to hurt.'"

What scares Rick Mears? The most? He shoots back quickly: "Not winning."

over Mears relaxes and watches TV he props his foot up to ease the pain. He's still a little sore from the accident. But two days after the crash, he was back in the car qualifying with an average speed of 224.594 mph.

"If I'd never raced anything else then maybe I'd be scared," he said. "But over the years you sneak up on things, you sneak up on the high speeds. You race one car, then another, then go faster and faster. You gradually get used to it."

"You go out on the track and after 10 or 20 laps you get acclimated to the speed. In your mind you slow it down. The driver sees just about everything. To an outsider looking in, things are a blur. On the inside looking out it's crystal clear."

Mears said it's easier to get back in a car after an accident when he has figured out what went wrong. He knows the chances of the same thing that caused the accident recurring are slim and that makes it easier to face the track.

The 76th Indy may be one of the most competitive — and fastest — in recent years. The pole sitter is Roberto Guerrero, who set qualifying records in his Lola-powered Buick with an average speed of 232.482 mph. The race features 10 former Indy winners, from Arie Luyendyk to Bobby Rahal.

Last May, Mears won Indy after a spirited duel with Michael Andretti to claim his fourth title. That put him in an exclusive club with legends A. J. Foyt and Al Unser Sr. as the only people to win four Indy titles.

INDIANAPOLIS — Lyn St. James was not taking many telephone calls at her apartment here this past week. Each day, she was sitting in a spare bedroom, wearing a fire-retardant suit and crash helmet, driving in the Indianapolis 500.

America's most famous auto race hasn't moved indoors, though. It will be run on Sunday, as scheduled, before about 325,000 spectators at the Indianapolis Motor Speedway.

Long Road for Race's 2d Woman Driver

By Joseph Siano
New York Times Service

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America's most famous auto race hasn't moved indoors, though. It will be run on Sunday, as scheduled, before about 325,000 spectators at the Indianapolis Motor Speedway.

St. James is simply using a simulated chassis of her own in Indianapolis — in a very precise game of pretend, trying to duplicate the mental and physical demands of the race as she prepares to become only the second woman to drive in the Indy 500.

Along with horse racing, auto racing is one of the very few sports in which women compete against men at the highest level. Ascending to this level has required St. James to overcome conditions more forbidding than any she might be simulating in her preparation for this weekend's race.

Before last Saturday, when St. James, 45, drove a Lola-Chevy for four laps around the two-and-a-half-mile Speedway at an average

speed of 220.150 miles an hour (356.3 kilometers an hour), only Janet Guthrie had qualified to race a bachelorette to women that she had to leave the garage area wearing her driver's suit and mingle with spectators when she needed a restroom.

That particular situation has changed, and so has the pioneering atmosphere that defined Guthrie when she competed in the race in the late '70s.

St. James insists that she sees herself as racer first, with the groundbreaker role several laps behind.

"This is for me," she said. "This is a goal that I've had in meeting a career objective. It's a personally driven thing that I know could have ancillary benefits to it, but which I can't control."

In order for more women to ascend to the highest level of this sport, they will first have to master another sport, that of acquiring corporate sponsors.

St. James had to approach about 150 companies before she found two — J. C. Penney and Agency Rent-a-Car — willing to provide the minimum of \$500,000 total to bankroll her effort.

Although St. James has been enterprising enough to turn her singularity in a male-dominated sport on its head by approaching companies that sell products to women, she has been turned down by, among others, major cosmetics companies.

But St. James demurs from blaming sexism for the paucity of female drivers here.

"If you know how many licensed professional race drivers there are and how hard it is to get here," she said, "the odds are so much against you that in the big picture, the gender issue is such a small thing."

The difficulty in making inroads stems more from the fact that auto racing, unlike major professional team sports, does not have an organized, talent-based system of advancement from grass-roots to the elite level.

Penguins Sink Bruins For 3-0 Lead

By Joe Lapointe
New York Times Service

BOSTON — Kevin Stevens grew up in the Boston area as a hockey fan. He played as an amateur for Boston College and almost became a Bruins employee last summer.

Instead, the big left wing remained a Penguin, and he scored four goals Thursday night to help his Pittsburgh teammates beat the home team, 3-1, at Boston Garden.

The first three goals were on a natural hat trick in the first period, staking the Penguins to a 3-0 lead.

The defending Stanley Cup champions now hold a 3-0 lead in the four-of-seven-games Wales Conference final of the Naöal

Connors vs. Stich In French Opener

The Associated Press

PARIS — Jimmy Connors delighted French Open fans last year with a stirring third-round battle against 1989 champion Michael Chang before succumbing to cramps in the fifth set.

Connors, 39, is back at Roland Garros stadium this year, but his stay may be shorter. On Friday, he drew 1991 Wimbledon champion Michael Stich, the No. 4 seed, as his first-round foe. (See Scoreboard)

Defending champion and top-ranked Jim Courier drew a qualifier but is likely to face Austria's Thomas Muster, a tough clay-court player, in the second round. Muster won the Monte Carlo tournament in April.

In the women's draw, two-time champion and top seed Monica Seles faces France's Catherine Moles in the first round. Steffi Graf, also a two-time winner here, meets Rene Simpson-Alier of Canada.

Connors hasn't forgotten how the organizers let him into the tournament last year, despite a ranking of 322 due to inactivity following hand surgery.

He said that he was proud he didn't need a wild card this year. "I hope to do what I did in 1991," he said, "especially if the fans support me again."

SCOREBOARD

BASEBALL

Major League Standings

AMERICAN LEAGUE			
East Division			
Team	W	L	Pct.
Toronto	26	14	.652
Baltimore	24	15	.615
New York	23	17	.575
Boston	19	21	.475
Atlanta	18	20	.475
Detroit	18	22	.450
Cleveland	12	28	.317

NATIONAL LEAGUE			
East Division			
Team	W	L	Pct.
Pittsburgh	22	14	.611
St. Louis	22	17	.563
New York	22	19	.538
Montreal	17	20	.457
Philadelphia	17	22	.435
Cincinnati	12	23	.344

NATIONAL LEAGUE			
West Division			
Team	W	L	Pct.
San Francisco	23	16	.591
Los Angeles	22	17	.563
San Diego	22	19	.538
Chicago	17	23	.426
Colorado	12	27	.310

BASEBALL

Japanese Baseball

CENTRAL LEAGUE			
Team	W	L	Pct.
Yokohama	23	14	.621
Hiroshima	20	15	.571
Hanshin	19	16	.543
Tokyo	17	17	.500
Yomiuri	12	22	.353

PACIFIC LEAGUE			
Team	W	L	Pct.
Kiashi	23	11	.676
Saitama	20	13	.606
Deiichi	17	17	.500
Nippon Ham	14	17	.447
Orix	12	22	.353

NBA Playoffs			
CONFERENCE FINALS			
EASTERN CONFERENCE			
Game	Team 1	Score	Team 2
1	Cleveland	97-87	Chicago
2	Chicago	101-97	Cleveland
3	Cleveland	101-97	Chicago
4	Chicago	101-97	Cleveland

BASEBALL

Stanley Cup

CONFERENCE FINALS			
WALS CONFERENCE			
Game	Team 1	Score	Team 2
1	Pittsburgh	3-1	Boston
2	Boston	3-1	Pittsburgh
3	Pittsburgh	3-1	Boston
4	Boston	3-1	Pittsburgh

CONFERENCE FINALS			
NORTHWEST CONFERENCE			
Game	Team 1	Score	Team 2
1	Edmonton	3-1	Calgary
2	Calgary	3-1	Edmonton
3	Edmonton	3-1	Calgary
4	Calgary	3-1	Edmonton

CONFERENCE FINALS			
WESTERN CONFERENCE			
Game	Team 1	Score	Team 2
1	Los Angeles	3-1	San Jose
2	San Jose	3-1	Los Angeles
3	Los Angeles	3-1	San Jose
4	San Jose	3-1	Los Angeles

BASEBALL

Transactions

BASEBALL
SAN FRANCISCO — Acquired Robby Stein from the Los Angeles Dodgers for cash. Released Craig Calkins, catcher, to Phoenix, Pacific Coast League.

BASEBALL
NATIONAL FOOTBALL ASSOCIATION
CHARLOTTE — Tony Stewart, executive vice president, resigned.

BASEBALL
NATIONAL FOOTBALL ASSOCIATION
NEW ENGLAND — Named James Hoffmann vice president and chief financial officer. Signed Tim Edwards, defensive end, and Phil Ladell, offensive guard, from the Philadelphia Eagles.

BASEBALL

Transactions

BASEBALL
NEW MEXICO — Signed Dave Bitts, men's basketball coach, to 3-year contract.

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